

LONDON NOTICE No. 3144

ISSUE DATE: 9 April 2009
EFFECTIVE DATE: 14 April 2009

CREDIT DEFAULT SWAP INDEX CONTRACTS

REVISION TO CONTRACT SPECIFICATION AND RELATED DOCUMENTS

Executive Summary

The purpose of this Notice is to inform Members of revisions to NYSE Liffe Credit Default Swap Index Contracts to correspond with the ISDA March 2009 Supplement to the 2003 Credit Derivatives Definitions, including the establishment of the 2009 ISDA Credit Derivatives Determinations Committees, and the Supplement's incorporation into existing ISDA CDS documentation by means of the Auction Settlement CDS Protocol (the "Big Bang Protocol").

1. Introduction

- 1.1 London Notice No. 3104, issued on 19 December 2008, announced the launch of Credit Default Swap Index Contracts ("CDS Contracts") on Bclear (Exchange Contract No. 600).
- 1.2 On 12 March 2009 ISDA issued its 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions ("2009 ISDA Supplement"). In association with this, a Protocol was issued by ISDA to facilitate the amendment of existing transactions to reflect these new terms and incorporate the new Determinations Committee process. The Protocol opened for adherence on 12 March 2009 and closed on 7 April 2009. Adherence to this Protocol is known as the "Big Bang" as it affects all existing OTC CDS contracts under ISDA terms.

2. Revisions to the Exchange's Contract Terms

- 2.1 In line with the 2009 ISDA Supplement, certain revisions are being made to the Exchange's Contract Terms, which are summarised in this Notice. Attached to this Notice are:
 - (a) a revised full Contract Specification (Attachment 1);
 - (b) a revised Summary Contract Specification (Attachment 2);
 - (c) a revised Credit Event and Succession Event Policy (Attachment 3); and
 - (d) revised Exchange Guidance (Attachment 4).

In each case, these replace the equivalent documents issued under London Notice No. 3104.

Web site: www.nyx.com/liffe

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3. Revisions in respect of Determinations Committees and Credit and Succession Event Backstop Dates

3.1 The key revisions to the Exchange Contract are:-

- (a) adoption of determinations made by the newly established Credit Derivatives Determinations Committees with respect to whether a Credit Event or Succession Event has occurred; and
- (b) in line with (a) above, introduction of a “Credit Event Backstop Date” of 60 days and “Succession Event Backstop Date” of 90 days. This means that, with effect from 20 June 2009, an Eligible Market Participant must notify the Credit Derivatives Determinations Committee within 60 or 90 days, as the case may be, of an alleged event being considered to have occurred.

3.2 These revisions will improve the rigour of process and certainty of outcome within the OTC market with respect to Credit and Succession Events and resulting auctions, with which the Exchange Contract is hereby being aligned¹.

4. Reversal of a determination

4.1 The 2009 ISDA Supplement makes provision for the reversal of a Credit Event or Succession Event previously determined by a Determination Committee. Determinations of a Determination Committee as to the occurrence of an event which is a Failure to Pay, Bankruptcy or Restructuring may be reversed by a subsequent determination pursuant to a Determination Committee Resolution if new information becomes known to the Determination Committee.

4.2 The Exchange has amended its Contract Specification and Credit and Succession Events Policy so that adjustments to the Exchange Contract (and the resulting creation of an Event Protection Contract) are made as late as possible in time, prior to Credit Event settlement. Such adjustments will be notified to the market by means of a Final Credit Event Confirmation Notice, whose timing will be decided by the Exchange in its absolute discretion. Where there is an ISDA Auction the Exchange will seek to issue a Final Credit Event Confirmation Notice on or as close as practicable to the day when it is expected that the Auction Final Price will be determined under that ISDA Auction. Once a Final Credit Event Confirmation Notice is issued, the Credit Event will be considered by the Exchange to be binding and will not be reversed².

5. Credit Events in progress

5.1 Any Credit Event in progress at the Effective Date of this Notice will continue to be handled under the Contract Terms and related operational procedures promulgated under London

¹ The adjudicator process in the Exchange Contract will be retained on the basis that, in extremis, the Exchange reserves the right, at its absolute discretion, to appoint an adjudicator to determine any Credit or Succession Event if it is of the opinion that this is required to maintain the integrity of the Exchange Contract or any dealings therein. The terms of reference for this process are available at <http://www.euronext.com/editorial/wide/editorial-4825-EN.html>.

² In extremis, and only following the issuance of the Final Credit Event Confirmation Notice, if the Exchange determines that there is not likely to be an ISDA Auction, the Event Protection Contract will be settled using the Exchange Final Settlement Price as specified in the second part of Administrative Procedures (C) of the Contract Specification. (If the Board determines that the Exchange's CDS Contract should incorporate subsequent supplements or amendments to the applicable ISDA Definitions or other provisions, for instance in respect of changes to the treatment of Restructuring or physical settlement, this aspect of the Contract Terms may be amended).

Notice No. 3104. Subsequent Credit Events and Succession Events will be handled under the revised Contract Terms promulgated under this Notice.

For further information in relation to this Notice, Members should contact:

Fixed Income Derivatives

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EXCHANGE CONTRACT NO. 600
IN RESPECT OF
CREDIT DEFAULT SWAP INDEX CONTRACTS

(A) CONTRACT TERMS
(Issue Date: 9 April 2009)

(B) CONTRACT DETAILS SPECIFIED BY THE BOARD
(Issue Date: 19 December 2008)

(C) CONTRACT DETAILS SPECIFIED BY THE BOARD
FOR EVENT PROTECTION CONTRACTS
(Issue Date: 9 April 2009)

(D) ADMINISTRATIVE PROCEDURES
(Issue Date: 19 December 2008)

(E) ADMINISTRATIVE PROCEDURES
FOR EVENT PROTECTION CONTRACTS
(Issue Date: 9 April 2009)

Contract Maturities

December 2010 onwards

Please refer to London Notice No. 3144 issued on 9 April 2009.

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THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS
EXCHANGE

(A) CONTRACT TERMS

1. Interpretation

1.01 Save as otherwise specified herein, words and phrases defined in the Rules shall have the same meanings in these terms and in the Administrative Procedures.

1.02 In these terms and in the Administrative Procedures:

"Administrative Procedures" means all procedures from time to time implemented by the Exchange pursuant to the Rules for the purposes of this Exchange Contract.

"Annex" means, in respect of an Index and a Contract Maturity, the list for the relevant Index on the First Trading Day for that Contract Maturity, as published by the Index Publisher (subject to any update to reflect a name change) and subject to any changes to that list identified by the Exchange as having occurred prior to the First Trading Day.

"Auction Final Price" means the price for obligations of a Reference Entity which are deliverable under, or the price which is used for settlement of, an ISDA documented credit derivative transaction, expressed as a percentage, as determined pursuant to an ISDA Auction which the Exchange determines includes the Reference Obligation or obligations which rank equally with the Reference Obligation.

"Bankruptcy" has the meaning assigned to it in the ISDA Definitions.

"Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in London and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open. "Clearing House Business Day" means a Business Day on which the market and the Clearing House are open for business.

"Business Day Convention" means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day or Clearing House Business Day, as appropriate. "Following Business Day Convention" means that the relevant date will be the first following day that is a Business Day or Clearing House Business Day, as appropriate. "Preceding Business Day Convention" means that the relevant date will be the first preceding day that is a Business Day or Clearing House Business Day, as appropriate.

"Buyer" means the protection buyer in a Credit Default Swap Index Contract, the Fixed Rate Payer.

"Contract Maturity" means each maturity specified in Table 1.

"Credit Default Swap Index Contract" means a contract made expressly or implicitly in the terms of this Exchange Contract for the sale and purchase of one or more lots in respect of an Index, and "registered Contract" means a Credit Default Swap Index Contract registered by the Clearing House.

"Credit Event" has the meaning attributed to it in term 7.

"Credit Event Backstop Date" means the date that is 60 calendar days prior to the Credit Event Resolution Request Date provided that for the purpose of determining whether a Credit Event has occurred during the Protection Period:

- (a) at any time up to but excluding 20 June 2009; or
- (b) if a Credit Event Resolution Request Date occurs before 20 June 2009,

the Credit Event Backstop Date with respect to such determination shall be deemed to be the roll date for the Index as specified in the relevant Annex.

"Credit Event Resolution Request Date" has the meaning assigned to it in the Exchange's policy relating to Credit Events, as published by the Exchange from time to time.

"Credit Event Determination Extension Period" has the meaning attributed to it in term 4.02.

"Credit Event Notification Period" has the meaning assigned to it in the Exchange's policy relating to Credit Events, as published by the Exchange from time to time.

"EFSP" and "Exchange Final Settlement Price" means the price expressed as a percentage which will be used to determine the Floating Rate Payment payable on settlement of an Event Protection Contract, and shall be calculated in accordance with the terms set out in Table 2.

"euro" and "€" denote the single currency of the European Union introduced in participating Member States pursuant to their participation in Economic and Monetary Union in the European Union.

"Event Protection Contract" means a contract issued to the holder of a registered Contract following the issue by the Exchange of a Final Credit Event Confirmation Notice confirming that a Credit Event has occurred. The Event Protection Contract is the mechanism through which the Floating Rate Payer makes a payment as determined by the EFSP.

"Exchange Confirmation Date" means the Clearing House Business Day on which the parties enter into a contract in the terms of this Exchange Contract.

"Exchange Credit Event Determination Date" means the date on which the Exchange issues a Final Credit Event Confirmation Notice in accordance with the Exchange's policy relating to Credit Events confirming that a Credit Event has occurred.

"Failure to Pay" has the meaning assigned to it in the ISDA Definitions provided that for the purposes of determining any applicable Grace Period

thereunder, any reference to the "Scheduled Termination Date" shall be deemed to be a reference to the Last Protection Day.

"Final Credit Event Confirmation Notice" has the meaning given to it in the Exchange's policy relating to Credit Events, as published by the Exchange from time to time.

"Final Settlement Day" means, in respect of an Event Protection Contract, the day on which the EFSP is determined.

"First Trading Day" means, in respect of an Index and a Contract Maturity, the first day on which that Contract Maturity is available for trading.

"Fixed Payment Amount" means, for an Accrual Period specified in the Administrative Procedures, the amount per lot payable by the Fixed Rate Payer.

"Fixed Rate" means the rate, quoted in terms of basis points per annum of Notional Principal as specified in the relevant Annex, which determines the Fixed Payment Amount.

"Fixed Rate Payer" means the Buyer, the party obliged to make one or more payments of a Fixed Payment Amount.

"Fixed Rate Payer Period End Date" means the 20th calendar day in each quarterly month (March, June, September and December) during the lifetime of a particular Contract Maturity provided that if that day is not a Business Day then the Fixed Rate Payer Period End Date shall be determined according to the Following Business Day Convention.

"Fixed Rate Payer Payment Date" means a Fixed Rate Payer Period End Date provided that if that day is not a Clearing House Business Day then the Fixed Rate Payer Payment Date shall be determined according to the Following Business Day Convention.

"Floating Rate Payer" means the Seller, the party obliged to make a payment should a position in an Event Protection Contract be created.

"Floating Rate Payment" means the amount payable by the Seller to the Buyer on settlement of an Event Protection Contract.

"Index" means, a specific series as determined by the Exchange from time to time of an Index specified in Table 1 applicable to a Credit Default Swap Index Contract.

"Index Publisher" means Markit Group Limited, or any successor thereto or any replacement therefor appointed by the Index Sponsor for purposes of officially publishing the relevant Index.

"Index Rules" means at any time the then most recently published version of the Markit iTraxx Europe Index Rules, or any replacement therefor.

"Index Sponsor" means International Index Company Limited, or any successor thereto.

"Initial Payment Amount" means the upfront payment agreed between the Buyer and Seller of a Credit Default Swap Index Contract.

"Initial Payment Date" means the Clearing House Business Day following the Exchange Confirmation Date.

"ISDA" means the International Swaps and Derivatives Association, Inc. and any successor thereto.

"ISDA Auction" means with respect to a particular Reference Entity, an auction which is held for the purpose of establishing a price for obligations which are deliverable under, or providing a method for settlement of, an ISDA documented credit derivative transaction and which is subject to rules or procedures published by ISDA from time to time (or any other market settlement mechanism identified by the Exchange from time to time and confirmed by a Notice issued by the Exchange).

"ISDA Definitions" means the definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions, each as published by ISDA, and any subsequent supplements or amendments to or replacement of these definitions as published by ISDA from time to time.

"Last Notification Day" means the last day of the Credit Event Notification Period.

"Last Protection Day" means, in respect of a Contract Maturity, the 20th calendar day in the month in which the Contract Maturity falls.

"Last Trading Day" means, in respect of a Contract Maturity, the 20th calendar day in the month in which the Contract Maturity falls provided that if that day is not a Clearing House Business Day then the Last Trading Day shall be determined according to the Preceding Business Day Convention (subject in all cases to term 4).

"lot" means the unit of trading in respect of a Credit Default Swap Index Contract.

"Notional Principal" means the contract size of one lot of a Credit Default Swap Index Contract as set out in Table 1. Notional Principal will be reduced by the Exchange to cater for the reduction to zero of the Weighting of a particular Reference Entity in an Index due to a Credit Event in relation to that Reference Entity. "Original Notional Principal" is the Notional Principal of one lot of a Credit Default Swap Index Contract on an Index assuming no Reference Entity has undergone a Credit Event.

"Obligation" means an obligation of a Reference Entity (either directly or as provider of a Qualifying Guarantee, as defined in the ISDA Definitions) that is Borrowed Money, as defined in the ISDA Definitions, as of the Credit Event Resolution Request Date and each Reference Obligation.

"Protection Period" means, in respect of a Contract Maturity, the period ending on the Last Protection Day (determined by reference to Greenwich Mean Time) provided that the event giving rise to a Credit Event must have occurred on or after the relevant Credit Event Backstop Date (determined by reference to Greenwich Mean Time).

"Reference Entity" means, in respect of an Index, a Reference Entity listed in the relevant Annex of the Index, and any Successor(s) thereto.

"Reference Obligation" means, in respect of an Index and a Reference Entity, the Reference Obligation set out opposite the relevant Reference Entity in the relevant Annex, provided that if the Index Sponsor or Index Publisher publishes a replacement Reference Obligation for a Reference Entity (or one or more Reference Obligations(s) for a Reference Entity in connection with a Successor) such Reference Obligation (the "Substitute Reference Obligation") shall be the Reference Obligation(s) under the Credit Default Swap Index Contract for such Reference Entity. If the Exchange determines, at its absolute discretion, that the relevant Annex does not reflect a DC Resolution (as referred to in the Exchange's policy on Credit Events and Succession Events) which has identified one or more substitute reference obligations for a Reference Obligation, the Exchange may issue a Notice designating the substitute reference obligations identified by the DC Resolution as the Reference Obligation(s) for the relevant Reference Entity.

"Regulations" means the General Regulations, Default Rules, Settlement Finality Regulations and Procedures from time to time in force of the Clearing House.

"Restructuring" has the meaning assigned to it in the ISDA Definitions, provided that (a) the term "Credit Event Backstop Date applicable to the relevant Credit Derivative Transaction" shall mean the relevant Credit Event Backstop Date as defined in these Contract Terms and (b) the words "as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the related Confirmation, " shall be deleted from Section 4.7(c) of the ISDA Definitions.

"Seller" means the seller of protection in a Credit Default Swap Index Contract, the Floating Rate Payer.

"Succession Event" has the meaning assigned to it in the ISDA Definitions provided that the term "Succession Event Backstop Date applicable to the relevant Credit Derivative Transaction" shall mean the relevant Succession Event Backstop Date as defined in these Contract Terms.

"Succession Event Backstop Date" means the date that is 90 calendar days prior to the Succession Event Resolution Request Date provided that for the purpose of determining whether a Succession Event has occurred in respect of a Reference Entity:

- (a) at any time up to but excluding 20 June 2009; or
- (b) if a Succession Event Resolution Request Date occurs before 20 June 2009,

the Succession Event Backstop Date with respect to such Reference Entity shall be deemed to be the roll date for the Index as specified in the relevant Annex.

"Succession Event Resolution Request Date" has the meaning assigned to it in the Exchange's policy relating to Succession Events, as published by the Exchange from time to time.

"Successor" means, in respect of a Reference Entity, any entity or entities identified as a Successor by the Exchange in a Notice issued by the Exchange in accordance with the Exchange's policy relating to Succession Events. The Exchange's policy relating to Succession Events will be published from time to time by means of one or more Notices and shall have such effect with regard to existing and/or new Credit Default Swap Index Contracts as the Exchange may determine.

"Table 1" means the Contract Details specified by the Board for Credit Default Swap Index Contracts.

"Table 2" means the Contract Details specified by the Board for Event Protection Contracts.

"unit" means a unit of an Event Protection Contract and a unit has the contract size as set out in Table 2.

"Weighting" means the percentage of Original Notional Principal for which a Reference Entity accounts, as specified in the relevant Annex. If a Credit Event occurs in relation to a Reference Entity, the Weighting of that Reference Entity shall reduce to zero on the Exchange Credit Event Determination Date. If a Succession Event occurs and more than one Successor to the Reference Entity is identified, the Weighting attributable to each Successor will be published by the Exchange in a Notice.

- 1.03 In these terms references to "lawful currency" shall be construed to include units of value of the euro which may be used validly to discharge payment obligations pursuant to the law of a jurisdiction which has introduced the euro as its lawful currency pursuant to EMU legislation and notwithstanding that such units of value of the euro may not at all material times following the Conversion Date constitute legal tender in such jurisdiction.
- 1.04 Reference to a "term" refers to a term hereof and reference to a "Rule" and the "Articles" refer to the Exchange's Rules and Articles respectively. Save where the context otherwise requires references herein to the singular include the plural, and vice versa.
- 1.05 References to a person (other than a Reference Entity) in these terms shall be construed to include references to its successors and its permitted assigns unless the Exchange otherwise notifies by Notice.
- 1.06 Unless stated otherwise, all times specified in these terms and Administrative Procedures are expressed in London time.
- 1.07 In the event of any inconsistency between the ISDA Definitions and these Contract Terms, these Contract Terms will govern. Any reference in the ISDA

Definitions to (a) "relevant Confirmation" or "related Confirmation" shall be deemed to be references to these Contract Terms, (b) "Buyer" shall be deemed to references to Buyer under these Contract Terms and (c) "Seller" shall be deemed to be references to Seller under these Contract Terms.

- 1.08 If the Exchange determines that there could be uncertainty regarding the effect on these Contract Terms of any particular supplement or amendment to or replacement of the ISDA Definitions published by ISDA, then the Exchange shall determine, as soon as reasonably practicable in the circumstances, how that amendment to or replacement of the ISDA Definitions will be given effect in these Contract Terms and such determination shall be confirmed by Notice and incorporated into these Contract Terms.

2. Contract Specification

- 2.01 These terms shall apply to all Credit Default Swap Index Contracts.

- 2.02 Each Credit Default Swap Index Contract for a particular Index and Contract Maturity shall be for one or more lots.

3. Price

- 3.01 The Initial Payment Amount for a Credit Default Swap Index Contract shall be quoted in euro and shall have the minimum price movement as specified in Table 1.

- 3.02 The Fixed Rate in respect of one lot of a Credit Default Swap Index Contract shall be quoted in basis points per annum of Notional Principal and shall have a value as determined by the Index Sponsor and shall be fixed throughout the lifetime of a Contract Maturity. The Fixed Payment Amount in respect of one lot of a Credit Default Swap Index Contract shall be quoted in euro and shall have the minimum price increment as specified in Table 1.

- 3.03 If issued, following the declaration of a Credit Event, each Event Protection Contract shall be for one or more units.

4. Last Trading Day, Last Protection Day and Last Notification Day of Credit Default Swap Index Contracts

- 4.01 On the Last Trading Day, trading in Credit Default Swap Index Contracts for the relevant Contract Maturity month shall cease.

- 4.02 The Exchange, in its absolute discretion, may declare a Credit Event Determination Extension Period for any Contract Maturity. The Exchange's policy relating to the declaration of a Credit Event Determination Extension Period will be contained in the Exchange's policy relating to Credit Events. The duration of the Credit Event Determination Extension Period will be determined by the Exchange and may be extended on one or more occasions. The Exchange will publish a Notice informing the market of such Credit Event Determination Extension Period. Such Notice shall be published not later than the second Business Day immediately following the Last Notification Day. The Exchange will publish a Notice informing the market of any extension to the Credit Event Determination Extension Period. Such Notice shall be published not later than the last day of the then current Credit Event

Determination Extension Period. The Last Trading Day, Last Protection Day and Fixed Rate Payer Payment Dates will remain unchanged. At any time prior to the expiry of such Credit Event Determination Extension Period, the Exchange may declare that an event giving rise to a Credit Event has occurred within the Protection Period and issue the appropriate Event Protection Contracts.

5. Settlement of Credit Default Swap Index Contracts

- 5.01 On the final Fixed Rate Payer Payment Date, the final payment will be made in respect of the Fixed Payment Amount and no further Fixed Payment Amounts will be made.

6. Settlement of Event Protection Contracts

- 6.01 The number of units in an Event Protection Contract issued per lot shall be determined according to the following formula:

$$\frac{\text{Reference Entity Weighting} \times \text{Original Notional Principal of one lot of Credit Default Swap Index Contract}}{\text{Contract Size of one unit of Event Protection Contract}}$$

- 6.02 The EFSP for Event Protection Contracts issued in respect of a particular Reference Entity shall be calculated by Exchange officials in accordance with the terms set out in Table 2.

- 6.03 The Exchange shall publish a provisional EFSP and the final EFSP as soon as is reasonably practicable on the Final Settlement Day. The final EFSP shall be final and binding for all purposes.

- 6.04 Subject to term 6.05, on the Clearing House Business Day immediately following the Final Settlement Day of an Event Protection Contract, positions in such Event Protection Contract will be closed and the Seller will make the Floating Rate Payment to the Buyer as specified in the Administrative Procedures.

- 6.05 In the event that the Board determines that a physical settlement mechanism shall, from a specified date, replace fixed recovery rates for the settlement of Event Protection Contracts in the absence of an Auction Final Price being determined by an ISDA Auction, such a means of settlement shall apply to Event Protection Contracts arising from existing registered Contracts at such specified date. Any such determination will be confirmed by Notice and incorporated into these Contract Terms.

- 6.06 For the avoidance of doubt, an Event Protection Contract is a market contract under the Rules.

7. Credit Events

- 7.01 In this term 7, "Credit Event" shall mean the occurrence within the appropriate Protection Period of one of the following events:

- (i) Failure to Pay;
- (ii) Bankruptcy; and
- (iii) Restructuring

which has been confirmed by a Final Credit Event Confirmation Notice issued by the Exchange. The date on which the Final Credit Event Confirmation Notice relating to a Credit Event is issued is the Exchange Credit Event Determination Date in relation to that Credit Event.

7.02 Where any Credit Event with respect to a Reference Entity and to a registered Contract has been confirmed by a Final Credit Event Confirmation Notice issued by the Exchange, the Exchange shall alter the subject matter of each lot comprising such registered Contract to reflect such Credit Event by issuing the appropriate Event Protection Contract.

7.03 The Exchange's policy relating to Credit Events will be published from time to time by means of one or more Notices and shall have such effect with regard to existing and/or new Credit Default Swap Index Contracts as the Exchange may determine.

8. Initial Payment Amount

8.01 In respect of each lot comprised in a registered Contract, one of the following payments shall be made in respect of the Initial Payment Amount of a registered Contract on the Initial Payment Date by the time specified by the Exchange in the Administrative Procedures:

- (a) If the Initial Payment Amount has a positive value, payment by the Buyer to the Clearing House and payment by the Clearing House to the Seller; or
- (b) If the Initial Payment Amount has a negative value, payment by the Seller to the Clearing House and payment by the Clearing House to the Buyer.

9. Fixed Payment Amount

9.01 The Buyer shall pay the Fixed Payment Amount for an Accrual Period to the Clearing House on the Fixed Rate Payer Payment Date at or immediately following the expiry of that Accrual Period and the Clearing House shall pay each Fixed Payment Amount to the Seller on the same day.

9.02 The Fixed Payment Amount per lot will be calculated based on the following formula:

$$\frac{\text{Days in Accrual Period}}{360} \times \text{Notional Principal} \times \text{Fixed Rate}$$

If an Exchange Credit Event Determination Date occurs during an Accrual Period, the Fixed Payment Amount shall be calculated taking into account the reduction to the Notional Principal with effect from (but excluding) that Exchange Credit Event Determination Date.

10. Floating Rate Payment

10.01 In respect of each unit comprised in an Event Protection Contract, payment of the Floating Rate Payment shall be made, by the time specified in the

Administrative Procedures, by the Seller to the Clearing House and payment by the Clearing House to the Buyer of an amount calculated by multiplying the EFSP by the contract size as specified in Table 2.

11. Default in Performance

11.01 A Buyer or a Seller shall be in default in performance where:

- (a) he fails to fulfil his obligations under a Credit Default Swap Index Contract or an Event Protection Contract where applicable, by the time and in the manner prescribed and in accordance with these terms, the Rules, the Administrative Procedures or the Regulations; or
- (b) he fails to pay any sum due to the Clearing House in respect of a registered Contract by the time specified in these terms or in the Administrative Procedures or under the Regulations; or
- (c) in the reasonable opinion of the Clearing House he is in default.

11.02 Subject to the Default Rules of the Clearing House, in the event of default in performance by a Buyer or a Seller in respect of a registered Contract or an Event Protection Contract, the Board shall, at the request of the Clearing House, forthwith fix a price for invoicing back and each lot or unit (as may be applicable) at issue shall be invoiced back at that price. Such price may at the Board's absolute discretion take account of any compensation the Board may consider should be paid by either party to the other.

12. Force Majeure

12.01 Subject to any steps taken at any time by the Board under emergency powers in the Rules and subject to the Default Rules of the Clearing House, a Seller or a Buyer shall be liable to perform his obligations in respect of a lot comprised in a Credit Default Swap Index Contract, including where appropriate a unit in an Event Protection Contract, by the due time therefor, notwithstanding that he may be or is likely to be prevented from so doing by any event beyond his reasonable control including, without limitation, any act of God, strike, lockout, war, armed conflict, use of force by authority of the United Nations, fire, riot or civil commotion, combination of workmen, act of terrorism, breakdown of machinery, unavailability or restriction of computer or data processing facilities or energy supplies or bank transfer systems.

13. Articles, Rules, Regulations etc.

13.01 Every Credit Default Swap Index Contract and Event Protection Contract shall be subject to the Articles and the Rules and the Regulations in so far as applicable notwithstanding that one or more parties to any such Credit Default Swap Index Contract or Event Protection Contract (as applicable) may not be members of the Exchange or of the Clearing House.

13.02 In case of any conflict between the Administrative Procedures and these terms or the Rules, the provisions of these terms and the Rules shall prevail and, in the event of any conflict between these terms and the Rules, the Rules shall prevail.

14. Arbitration

14.01 Subject to term 14.02 and the Rules, any dispute arising from or in relation to a Credit Default Swap Index Contract or Event Protection Contract (as applicable) shall be referred to arbitration under the Rules relating to arbitration and arbitration shall be held in accordance with the Rules in force at the time of such reference.

14.02 No dispute arising from or in relation to any invoicing back price fixed by the Exchange under these terms shall be referred to arbitration under the Rules.

15. Governing Law

15.01 Every Credit Default Swap Index Contract and Event Protection Contract shall be governed by and construed in accordance with English law.

16. Non-registered Contracts

16.01 In respect of a Credit Default Swap Index Contract which is not a registered Contract ("non-registered Contract") these terms shall be modified by the parties thereto so as to require and allow that a Credit Default Swap Index Contract to be registered with the Clearing House under the Rules and the Regulations is capable of being so registered, and to facilitate performance of such registered Contract (and of any intermediate contract) in accordance with these terms, the Regulations and the Administrative Procedures. Modifications may also be made to the terms of a non-registered Contract to permit performance of such non-registered Contract if, without such modifications, it may not be possible to perform such non-registered Contract by the applicable times specified in these terms and the Administrative Procedures. Without prejudice to the generality of the foregoing, all references in these terms to payment or dealing between the Buyer or the Seller and the Clearing House shall be modified so as to require a similar payment or dealing directly between the Buyer and the Seller party to such non-registered Contract.

17. Statement in relation to the Credit Default Swap Index Contracts

17.01 The Exchange draws the following statement to the attention of potential users of its Credit Default Swap Index Contracts. Members should ensure that their clients are made aware of the following statement.

“Potential users of the LIFFE Credit Default Swap Index Contracts should familiarise themselves with the terms of these Contracts and with the Index compilation and calculation procedures of International Index Company Limited / Markit Group Limited. Potential users should also familiarise themselves with the details of the Exchange’s policy in relation to Credit Events and Succession Events and should be aware of the circumstances leading to the issuance of Event Protection Contracts. It is important for potential users of the LIFFE Credit Default Swap Index Contracts to familiarise themselves with the applicable ISDA Definitions and for the definition of each type of Credit Event and Succession Event to be fully understood by users of the LIFFE Credit Default Swap Index Contracts, so that holders of positions in the LIFFE Credit Default Swap Index Contracts are not taking on greater risks than they intend. Potential users of the LIFFE

Credit Default Swap Index Contract should familiarise themselves with the rules of the credit derivatives determinations committees established by ISDA (for the purposes of making certain determinations in connection with credit derivative transactions, including determinations on Credit Events and Succession Events) because decisions of these committees may be relied on to determine these questions for LIFFE Credit Default Swap Index Contracts. Potential users of the LIFFE Credit Default Swap Index Contracts should also familiarise themselves with the ISDA Auction methodology for the determination of the Auction Final Price (being the price for obligations which are deliverable under, or providing a method for settlement of, an ISDA documented credit derivative transaction) because this will be used by the Exchange in the calculation of the Exchange Final Settlement Price in respect of any Event Protection Contracts that are issued. In circumstances where no Auction Final Price is determined by an ISDA Auction, the Exchange will use a fixed recovery rate in the calculation of the Exchange Final Settlement Price in respect of any such Event Protection Contracts unless the Board has determined that a physical settlement mechanism should replace fixed recovery rates as the appropriate means of settlement and has confirmed such a change by Notice and incorporated it into the Contract Terms.

Potential users of the LIFFE Credit Default Swap Index Contracts should be aware that the Exchange's Contract Terms reflect applicable definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions, each as published by ISDA (the "ISDA Definitions"). The Exchange's Contract Terms incorporate the applicable ISDA Definitions, and any subsequent supplements or amendments to and replacement of these definitions as published by ISDA from time to time. It is important that, before entering into a transaction in respect of LIFFE Credit Default Swap Index Contracts, potential users understand any risk, including any changes to the value of their position, that may be associated with opening a position under Contract Terms reflecting the current set of ISDA Definitions, which may result in a position governed by Contract Terms reflecting a subsequent set of ISDA Definitions."

18. Additional Representations and Agreements

- 18.01 At the time a Credit Default Swap Index Contract is entered into, Buyer and Seller shall each be deemed to agree with the other that, so long as either party has or may have any obligation under such Credit Default Swap Index Contract, the parties will be obligated to perform, subject to the settlement of Event Protection Contracts, irrespective of the existence or amount of the parties' credit exposure to a Reference Entity, and Buyer need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

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Issue Date: 9 April 2009

**(B) CONTRACT DETAILS SPECIFIED BY THE BOARD FOR CREDIT DEFAULT
SWAP INDEX CONTRACTS ("TABLE 1")**

Index	Markit iTraxx Europe	Markit iTraxx Europe Crossover	Markit iTraxx Europe Hi-Vol
Known as Exchange Contract No.	76	77	78
Currency specified by the Board	euro €	euro €	euro €
Contract size of one lot	Credit Event Protection on €100,000 Notional Principal	Credit Event Protection on €100,000 Notional Principal	Credit Event Protection on €100,000 Notional Principal
Minimum Price Movement in respect of Initial Payment Amount	€0.01	€0.01	€0.01
Minimum Price Movement in respect of Fixed Payment Amount	€0.01	€0.01	€0.01
Contract Maturities	June or December at 3¼, 5¼, 7¼ and 10¼ year maturities	June or December at 3¼, 5¼, 7¼ and 10¼ year maturities	June or December at 3¼, 5¼, 7¼ and 10¼ year maturities
Final Valuation	€0.00	€0.00	€0.00

Issue Date: 19 December 2008

**(C) CONTRACT DETAILS SPECIFIED BY THE BOARD
FOR EVENT PROTECTION CONTRACTS ("TABLE 2")**

Currency specified by the Board	euro €
Contract size of one unit	Default compensation on €10 notional principal of obligations subject to a Credit Event
Final Settlement Day	As determined by the Exchange.
Exchange Final Settlement Price	100% minus the Auction Final Price or, where the Exchange determines that no Auction Final Price is available, the EFSP shall be 100% minus a fixed recovery rate of 90% in the case of Restructuring and 40% for Bankruptcy and Failure to Pay ^{1,2} .

Issue Date: 9 April 2009

¹ If there is more than one of a Bankruptcy, Failure to Pay or Restructuring, the Credit Event and Succession Event Policy shall determine which shall prevail.

² The Board may determine that a physical settlement mechanism shall replace the fixed recovery rate as the appropriate settlement mechanism.

(D) ADMINISTRATIVE PROCEDURES

Initial Payment Amount

The minimum price movement shall be €0.01.

Initial Payment Date

By 09:00 hours
(London time)

All payments required by term 8.01 to be made by the Buyer or the Seller shall have been completed.

Fixed Payment Amount

The minimum price movement shall be €0.01.
Each Fixed Payment Amount is calculated by taking the rounded (to the nearest cent) total of remaining Fixed Payment Amounts from the next Fixed Rate Payer Payment Date and subtracting this from the rounded (to the nearest cent) total of remaining Fixed Payment Amounts as at the previous Fixed Rate Payer Payment Date.

Fixed Rate Payer Payment Dates

By 09:00 hours
(London time)

All payments required by term 9.01 to be made by the Buyer shall have been completed.

Accrual Periods

For the avoidance of doubt, the accrual periods used to calculate the Fixed Payment Amount will be determined as follows:

(i) First Accrual Period

From the 20th day of the quarterly month preceding the Exchange Confirmation Date, or such amended date, as published by the Exchange from time to time, to the day preceding the next Fixed Rate Payer Period End Date (inclusive).

(ii) Last Accrual Period

From the Fixed Rate Payer Period End Date to the 20th day of the next quarterly month (inclusive).

(iii) All other Accrual Periods

From the Fixed Rate Payer Period End Date to the day preceding the next Fixed Rate Payer Period End Date (inclusive)

Last Trading Day

By 18:00 hours
(London time)

Trading for Credit Default Swap Index Contracts in the current Contract Maturity will cease.

Issue Date: 19 December 2008

(E) ADMINISTRATIVE PROCEDURES FOR EVENT PROTECTION CONTRACTS

Exchange Credit Event Determination Date

On the Exchange Credit Event Determination Date, units in Event Protection Contracts will be issued to holders of Credit Default Swap Index Contracts.

Floating Rate Payment

The minimum price increment shall be €0.01.

Final Settlement Day

The Exchange shall publish a provisional EFSP and then a final EFSP as soon as reasonably practicable.

Clearing House Business Day following Final Settlement Day

By 09:00 hours
(London time)

All payments required by term 10.01 to be made by the Seller shall have been completed.

Issue Date: 9 April 2009

LIFFE Credit Default Swap Index Contracts
– Summary Contract Specification¹

Indices	Markit iTraxx Europe Index Markit iTraxx Europe Crossover Index Markit iTraxx Europe Hi-Vol Index
Contract Size	Credit Event Protection on €100,000 Notional Principal
Contract Maturity	3¼ year, 5¼ year, 7¼ year and 10¼ year maturities on each index series with June or December maturity as appropriate
Protection Period	In respect of a Contract Maturity, the period ending on the Last Protection Day (determined by reference to Greenwich Mean Time) provided that the event giving rise to a Credit Event must have occurred on or after the relevant Credit Event Backstop Date (determined by reference to Greenwich Mean Time).
Protection Coverage	Contract offers protection on Credit Events (Bankruptcy, Failure to Pay and Restructuring) for the Reference Entities
Initial Payment	<ul style="list-style-type: none"> • Upfront amount paid by the Buyer to the Seller, or by the Seller to the Buyer, reflecting any difference between the Fixed Rate and rate agreed between the parties to the transaction. • Valued in €per lot • €0.01 minimum price movement • Paid in full on the Clearing House Business Day following the Exchange Confirmation Date
Fixed Payments ('Coupon')	<ul style="list-style-type: none"> • Amount paid by the Fixed Rate Payer (the Buyer of the CDS Index Contract) to the Floating Rate Payer (the Seller of the CDS Index Contract) over the life of the Contract Maturity. Based on the Fixed Rate expressed in basis points per annum of Notional Principal • A pre-defined single Fixed Rate will be established by the Index Sponsor for each Contract Maturity • The Fixed Payment Amount per lot will be calculated based on the following formula: $\frac{\text{Days in Accrual Period}}{360} \times \text{Notional Principal} \times \text{Fixed Rate}$ • Fixed Payments are calculated in Euro and paid in arrears on a quarterly basis on the Fixed Payment Dates
Fixed Payment Dates	20 th calendar day in each quarterly month (March, June, September and December) during the lifetime of a particular Contract, or the following Business Day if the 20 th is not a Business Day

¹ This document is only a summary of the full Contract Specification. Potential users should familiarise themselves with the full Contract Specification before entering into transactions in respect of LIFFE Credit Default Swap Index Contracts.

Accrual Periods	<p>The accrual periods used to calculate the Fixed Payment Amount will be determined as follows:</p> <p>(i) First Accrual Period - From the 20th day of the quarterly month preceding the Exchange Confirmation Date, or such amended date, as published by the Exchange from time to time, to the day preceding the next Fixed Payment Date (inclusive).</p> <p>(ii) Last Accrual Period - From the Fixed Payment Date to the 20th day of the next quarterly month (inclusive).</p> <p>(iii) All other Accrual Periods - From the Fixed Payment Date to the day preceding the next Fixed Payment Date (inclusive)</p>
Reporting Hours	08:00 – 18:00 hours (London time)
Daily Valuation	<ul style="list-style-type: none"> • Value established at 16:00 hours (London time) for margin purposes • Valuations quoted in €per lot • Value represents net liquidating value of each position – can be positive or negative
Last Trading Day	20 th calendar day of Contract Maturity month, or preceding Business Day if that day is not a Clearing House Business Day
Credit Event: Settlement arrangements	<ul style="list-style-type: none"> • Delivery of Event Protection Contracts (“EPCs”) in affected Contract Maturities • EPCs are delivered in sufficient number to maintain the notional value of the combined CDS and EPC position • The number of units in an EPC issued per CDS lot is determined according to the following formula: $\frac{\text{Reference Entity Weighting} \times \text{Original Notional Principal of the life of CDS}}{\text{Contract Size of one unit of EPC}}$ • Payment of Fixed Payments continues at lower pro rata amount based on reduced Surviving Notional Principal • Exchange Final Settlement Price for EPC: 100% minus the Final Price or, where the Exchange determines that no Final Price is available, the EFSP shall be 100% minus a fixed recovery rate of 90% in the case of Restructuring and 40% for Bankruptcy and Failure to Pay².

² If there is more than one of a Bankruptcy, Failure to Pay or Restructuring, the Credit Event and Succession Event Policy shall determine which shall prevail.

LIFFE CREDIT DEFAULT SWAP INDEX CONTRACTS
CREDIT EVENT AND SUCCESSION EVENT POLICY

Issue Date: 9 April 2009

Please refer to London Notice No. 3144 issued on 9 April 2009.

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1. Introduction

- 1.1 This Policy Document details the Exchange's policy for determining Credit Events and Succession Events in respect of LIFFE Credit Default Swap Index Contracts. It is issued pursuant to, and should be read in conjunction with, the formal Contract Terms for LIFFE Credit Default Swap Index Contracts and the Rules relating to the Bclear Service (LIFFE Rules Book II, Section 12).
- 1.2 The Contract Terms for LIFFE Credit Default Swap Index Contracts replicate, or are closely aligned to, the corresponding provisions of the ISDA 2003 Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions (the "ISDA 2003 Definitions") and the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions (the "March 2009 Supplement" and, together with the ISDA 2003 Definitions, the "ISDA Definitions"), each as published by the International Swaps and Derivatives Association, Inc. ("ISDA").
- 1.3 As a result of the publication of the March 2009 Supplement ISDA has established certain credit derivatives determinations committees (each a "DC") for the purpose of making certain determinations, including determinations on Credit Events and Succession Events, in connection with credit derivative transactions which are governed by the ISDA Definitions. The final decisions of a DC (which take the form of a DC Resolution) are binding upon parties to an OTC credit derivative transaction which is governed by the ISDA 2003 Definitions and which incorporates the March 2009 Supplement. On 12 March 2009 ISDA published the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement CDS Protocol to enable market participants to amend existing OTC contracts which are subject to the ISDA 2003 Definitions so as to incorporate the March 2009 Supplement.
- 1.4 The objective of this Policy Document is to ensure that Credit Events and Succession Events are determined for LIFFE Credit Default Swap Index Contracts in a manner which is, as far as possible, consistent with determinations made by the DCs, including any determination by a DC not to deliberate a particular question.
- 1.5 When the LIFFE Credit Default Swap Index Contract was first launched, the Exchange established a procedure to appoint an adjudicator to determine whether a Credit Event or Succession Event had occurred. As a result of the establishment of the DCs, the Exchange has adopted this updated Policy Document to detail its policy for determining Credit Events and Succession Events. Following the adoption of this updated Policy Document the Exchange will not, in the normal course of events, appoint an adjudicator to determine these matters (although, in extremis, the Exchange reserves the right, at its absolute discretion, to do so if it is of the opinion that this is required to maintain the integrity of the LIFFE Credit Default Swap Index Contract or any dealings therein).

- 1.6 To the extent that this Policy Document reflects the ISDA Definitions in place when this Policy Document was last updated, the Exchange reserves the right to amend this Policy Document (or to replace this Policy Document in its entirety) to reflect subsequent supplements or amendments to and replacements of the ISDA Definitions, as published by ISDA from time to time, and to reflect other developments in the OTC market.
- 1.7 The Exchange reserves the right, at its absolute discretion, to amend this Policy Document if the Exchange is of the opinion that it is necessary to maintain the integrity of the LIFFE Credit Default Swap Index Contract.

2. Interpretation

- 2.1 The following provisions apply to, or should be noted in connection with, the interpretation of this Policy Document.

“Credit Event Resolution Request Date” means, in relation to an event which constitutes a Credit Event for the purposes of the LIFFE Credit Default Swap Index Contract, the date which is determined to be the Credit Event Resolution Request Date (as defined in the ISDA Definitions) for that event in accordance with the ISDA Definitions.¹

“Credit Event Notification Period” means, with respect to a Contract Maturity, the period ending fourteen calendar days following the Last Protection Day (as specified in the LIFFE Credit Default Swap Index Contract) provided that if that final fourteenth calendar day is not a Business Day, the Credit Event Notification Period shall end on the next day which is a Business Day.

“DC Resolution” has the meaning assigned to it in the ISDA DC Rules (and refers to a determination of a DC that is binding on parties to an OTC contract governed by the ISDA Definitions).

“ISDA” means the International Swaps and Derivatives Association, Inc. and any successor thereto.

“ISDA DC Rules” means the Credit Derivatives Determinations Committees Rules which govern the DCs, as set out in Annex A to the March 2009 Supplement (as supplemented, amended or replaced from time to time).

“ISDA Definitions” means the definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions, each as published by ISDA, and any subsequent supplements or amendments to or replacement of those definitions, as published by ISDA from time to time.

¹ In summary, the ISDA Definitions define the Credit Event Resolution Request Date as the date on which an eligible market participant gives a notice to ISDA, in accordance with the DC Rules, requesting that a DC be convened to determine whether an event which is a Failure to Pay, Bankruptcy or Restructuring has occurred.

“Succession Event Resolution Request Date” means, in relation to a Succession Event, the date which is determined to be the Succession Event Resolution Request Date (as defined in the ISDA Definitions) for that event in accordance with the ISDA Definitions.²

- 2.2 The provisions in this Policy Document should also be read in conjunction with the definitions contained in the ‘Interpretation’ section of the formal Contract Terms for LIFFE Credit Default Swap Index Contracts.

3. Credit Event Definitions

- 3.1 “Credit Event” means, in relation to a LIFFE Credit Default Swap Index Contract, one of Bankruptcy, Failure to Pay or Restructuring which is confirmed by a Final Credit Event Confirmation Notice issued by the Exchange in accordance with this Policy Document.³
- 3.2 “Bankruptcy” has the meaning assigned to it in the ISDA Definitions.
- 3.3 “Failure to Pay” has the meaning assigned to it in the ISDA Definitions provided that, for the purposes of determining any applicable Grace Period thereunder, any reference to the “Scheduled Termination Date” shall be deemed to be a reference to the Last Protection Day (as defined in the Contract Terms).
- 3.4 “Restructuring” has the meaning assigned to it in the ISDA Definitions, provided that (a) the term “Credit Event Backstop Date applicable to the relevant Credit Derivative Transaction” shall mean the relevant Credit Event Backstop Date as defined in the Contract Terms for the LIFFE Credit Default Swap Index Contract and (b) the words “as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the related Confirmation,” shall be deleted from Section 4.7(c) of the ISDA Definitions.
- 3.5 The provisions of Section 4.1 (*Credit Event*) of the ISDA Definitions shall apply in determining if an occurrence will constitute a Credit Event.

4. Updates to ISDA Definitions

- 4.1 The definitions and provisions of “Bankruptcy”, “Failure to Pay” and “Restructuring” contained in the ISDA Definitions form the basis of the Exchange’s definition of a Credit Event. The definition of “Succession Event” and the provisions for determining a successor contained in the ISDA Definitions form the basis for the identification of any Successor to a Reference Entity under a LIFFE Credit Default Swap Index Contract. It is

² In summary, the ISDA Definitions define the Succession Event Resolution Request Date as the date on which an eligible market participant gives a notice to ISDA, in accordance with the DC Rules, requesting that a DC be convened to determine whether an event which is a Succession Event has occurred.

³ For the purposes of the LIFFE Contract, a Credit Event is not deemed to have taken place until such time as the Exchange has issued a Final Credit Event Confirmation Notice.

important to note that for all LIFFE Credit Default Swap Index Contracts, the Contract Terms incorporate the applicable ISDA Definitions in place when the LIFFE Credit Default Swap Index Contract is first entered into as well as subsequent supplements or amendments to or replacements of these definitions as published by ISDA from time to time. Any supplements or amendments to or replacements of the applicable ISDA Definitions will be reflected in existing open positions in the LIFFE Credit Default Swap Index Contracts.⁴

5. Determination of a Credit Event or a Succession Event

Credit Events

- 5.1 If at any time prior to the expiry of the Credit Event Notification Period or any Credit Event Determination Extension Period for a Contract Maturity, ISDA notifies the Exchange (or the Exchange otherwise becomes aware) that ISDA has published on its website an announcement that a DC has determined, pursuant to a DC Resolution, that an event which constitutes a Failure to Pay, Bankruptcy or Restructuring with respect to a Reference Entity has occurred and that such event occurred during the Protection Period⁵ applicable to that Contract Maturity, then the Exchange will issue a preliminary announcement of a possible Credit Event (a "Preliminary Credit Event Announcement"). That event shall constitute a Credit Event for the purposes of the LIFFE Credit Default Swap Index Contract and the Exchange will recognise this by issuing a Notice to confirm that a Credit Event has occurred (a "Final Credit Event Confirmation Notice"), as described in paragraph 5.4 below, unless ISDA notifies the Exchange (or the Exchange otherwise becomes aware) that ISDA has published on its website an announcement that a DC has determined, pursuant to a DC Resolution, to reverse that determination. Once the Final Credit Event Confirmation Notice in relation to a Credit Event has been issued that Credit Event will not be reversed. The Exchange reserves the right not to take into account a DC Resolution reversing a determination if it has not received notification of that DC Resolution from ISDA at least one Business Day prior to the date it intends to issue the Final Credit Event Confirmation Notice.
- 5.2 A Credit Event must have occurred within the Protection Period. The Last Protection Day is the last day of the Protection Period so that a Credit Event must have occurred on or before the Last Protection Day. In addition, with effect from 20 June 2009, the Credit Event must have occurred no more than 60 calendar days before the Credit Event Resolution Request Date. This is defined in the ISDA Definitions but, in summary, is the date that valid notice

⁴ If the Exchange determines that there could be uncertainty regarding the effect on the Contract Terms of any particular supplement or amendment to or replacement of the ISDA Definitions published by ISDA, then the Exchange shall determine, as soon as reasonably practicable in the circumstances, how that amendment to or replacement of the ISDA Definitions will be given effect in the Contract Terms and such determination shall be confirmed by Notice and incorporated into the Contract Terms.

⁵ "Protection Period" means, in respect of a Contract Maturity, the period ending on the Last Protection Day (determined by reference to Greenwich Mean Time) provided that the event giving rise to a Credit Event must have occurred on or after the relevant Credit Event Backstop Date (determined by reference to Greenwich Mean Time). The reference to GMT is consistent with the ISDA Definitions.

is given to ISDA, in accordance with the DC Rules requesting a DC to be convened to consider the event. Prior to 20 June 2009, the Credit Event must have occurred on or after the roll date for the relevant Index.

- 5.3 A Credit Event for the purposes of a LIFFE Credit Default Swap Index Contract will not occur until the Exchange has issued a Final Credit Event Confirmation Notice.
- 5.4 Determinations of a DC as to the occurrence of an event which is a Failure to Pay, Bankruptcy or Restructuring may be reversed by a subsequent determination pursuant to a DC Resolution, if new information becomes known to the DC although that reversal will not be binding on parties to an ISDA documented transaction where an Auction Final Price has been determined under an ISDA Auction for the relevant Reference Entity. The timing of the issuance of a Final Credit Event Confirmation Notice will be decided by the Exchange, in its absolute discretion. Where there is an ISDA Auction the Exchange will seek to issue a Final Credit Event Confirmation Notice on or as close as practicable to the day when it is expected that the Auction Final Price will be determined under that ISDA Auction. Therefore, it is possible that the Final Credit Event Confirmation Notice will precede the day on which it is expected that the Auction Final Price will be set in which case it is possible that a DC could reverse a decision after the Exchange has issued a Final Credit Event Confirmation Notice. However, once a Final Credit Event Confirmation Notice is issued, the Credit Event will be considered by the Exchange to be binding and will not be reversed. In extremis, and only following the issuance of the Final Credit Event Confirmation Notice, if the Exchange determines that there is not likely to be an ISDA Auction, the Event Protection Contract will be settled using the Exchange Final Settlement Price as specified in the second part of Administrative Procedures (C) of the Contract Specification. (If the Board determines that the Exchange's CDS Contract should incorporate subsequent supplements or amendments to the applicable ISDA Definitions or other provisions, for instance in respect of changes to the treatment of Restructuring or physical settlement, this aspect of the Contract Terms may be amended).
- 5.5 A Final Credit Event Confirmation Notice will announce the Exchange Credit Event Determination Date and detail the timings of the issuance of Event Protection Contracts and the Final Settlement Day (if known).
- 5.6 If the timings of the issuance of Event Protection Contracts and the Final Settlement Day are not then known, these will be detailed in a subsequent Notice to the market.

Multiple Credit Events

- 5.7 It is possible that a Restructuring, Failure to Pay, or Bankruptcy in respect of a particular Reference Entity could occur either simultaneously, or in relatively quick succession prior to the establishment of an Exchange Final Settlement Price in relation to Event Protection Contracts. In such circumstances, the

process for determining whether or not a Credit Event has occurred will be that set out in the Contract Terms and this Policy Document.

- 5.8 If there has been more than one Credit Event, an Event Protection Contract will be issued, which will be cash settled by reference to the Auction Final Price established in the relevant ISDA Auction. If there is no Auction Final Price, the Exchange shall use a fixed recovery rate in order to cash settle the Event Protection Contract. In such circumstances, the Exchange shall apply the lower of the fixed recovery rates specified in the Contract Terms (for example, if there had been a Restructuring (90% fixed recovery rate) and a Bankruptcy or Failure to Pay (40% fixed recovery rate), the Exchange would use a fixed recovery rate of 40% in order to determine the Exchange Final Settlement Price of the Event Protection Contract).⁶
- 5.9 For the avoidance of doubt, once the Exchange has published the final Exchange Final Settlement Price, such Exchange Final Settlement Price is final and binding for all purposes. As such, any Restructuring, Failure to Pay or Bankruptcy (or reversal of any such event) which comes to the Exchange's attention after that point will not be taken into account.

Succession Events

- 5.10 If at any time prior to the expiry of the Credit Event Notification Period or any Credit Event Determination Extension Period for a Contract Maturity, ISDA notifies the Exchange (or the Exchange otherwise becomes aware) that ISDA has published on its website an announcement that a DC has determined pursuant to a DC Resolution (a) that a Succession Event has occurred in respect of a Reference Entity and that the legally effective date of such Succession Event did not occur prior to the Succession Event Backstop Date and (b) that there are one or more Successors in respect of that Reference Entity and the related Succession Event, then each Successor so identified will be a Successor in relation to that Reference Entity.
- 5.11 If a sole Successor is identified, that Successor will be deemed to replace the particular Reference Entity in the relevant Index for the purposes of the LIFFE Credit Default Swap Index Contract. If more than one Successor is identified, each Successor will become a Reference Entity for the purposes of the LIFFE Credit Default Swap Index Contracts and the Weighting in the relevant Index attributable to each Successor will be the Weighting in the relevant Index attributable to the original Reference Entity divided by the number of Successors (with the Exchange reserving the right to round that Weighting to no more than 2 decimal places).
- 5.12 Following a determination that a Succession Event has occurred, the Exchange will publish a Notice to the market announcing the Succession Event and any Successor and, if there is more than one Successor, the new Weightings attributable to each Successor.

⁶ The Exchange will use the fixed recovery rate unless the Board has determined that a physical settlement mechanism should replace the fixed recovery rates.

General Provisions

- 5.13 Subject to paragraph 5.15 below, unless and until a DC has determined pursuant to a DC Resolution that an event which constitutes a Credit Event or a Succession Event has occurred, it shall be assumed for the purposes of all LIFFE Credit Default Swap Index Contracts that no such event has occurred.
- 5.14 Subject to paragraph 5.15 below, for the avoidance of doubt, if a DC has decided not to deliberate, or has determined pursuant to a DC Resolution to dismiss, a question on whether an event which constitutes a Credit Event has occurred or relating to a Succession Event, the Exchange would not undertake a separate determination of that issue in relation to LIFFE Credit Default Swap Index Contracts.
- 5.15 In extremis, the Exchange reserves the right, at its absolute discretion, to appoint an adjudicator to determine whether a Credit Event or a Succession Event has occurred and the identity of any Successors if it is of the opinion that this is required to maintain the integrity of the LIFFE Credit Default Swap Index Contract or any dealings therein. Any such decision will be confirmed by a Notice and the adjudicator will then determine whether or not a Credit Event or a Succession Event has occurred and the identity of any Successors. Any Notice confirming the appointment of an adjudicator will also specify any changes to this Policy Document which the Exchange, in its absolute discretion, considers is required to reflect that appointment.

6. Credit Event Determination Extension Period

- 6.1 If at any time prior to the second Business Day following the expiry of the Credit Event Notification Period ISDA notifies the Exchange (or the Exchange otherwise becomes aware) that ISDA has published on its website an announcement that a request has been made, prior to the expiry of the Credit Event Notification Period, for a DC to be convened to determine whether an event which constitutes a Failure to Pay, Bankruptcy or Restructuring with respect to a Reference Entity has occurred, the Exchange may declare a Credit Event Determination Extension Period for that particular Contract Maturity and event. The Credit Event Determination Extension Period is to allow sufficient time for the DC to determine pursuant to a DC Resolution whether an event which constitutes a Failure to Pay, Bankruptcy or Restructuring has occurred and for ISDA to publicly announce the decision of the DC. The duration of a Credit Event Determination Extension Period will be determined by the Exchange and may be extended on one or more occasions.

DISCLAIMERS

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Statement in relation to the Credit Default Swap Index Contracts

The Exchange draws the following statement to the attention of potential users of its Credit Default Swap Index Contracts. Members should ensure that their clients are made aware of the following statement.

“Potential users of the LIFFE Credit Default Swap Index Contracts should familiarise themselves with the terms of these Contracts and with the Index compilation and calculation procedures of International Index Company Limited / Markit Group Limited. Potential users should also familiarise themselves with the details of the Exchange's policy in relation to Credit Events and Succession Events and should be aware of the circumstances leading to the issuance of Event Protection Contracts. It is important for potential users of the LIFFE Credit Default Swap Index Contracts to

familiarise themselves with the applicable ISDA Definitions and for the definition of each type of Credit Event and Succession Event to be fully understood by users of the LIFFE Credit Default Swap Index Contracts, so that holders of positions in the LIFFE Credit Default Swap Index Contracts are not taking on greater risks than they intend. Potential users of the LIFFE Credit Default Swap Index Contract should familiarise themselves with the rules of the credit derivatives determinations committees established by ISDA (for the purposes of making certain determinations in connection with credit derivative transactions, including determinations on Credit Events and Succession Events) because decisions of these committees may be relied on to determine these questions for LIFFE Credit Default Swap Index Contracts. Potential users of the LIFFE Credit Default Swap Index Contracts should also familiarise themselves with the ISDA Auction methodology for the determination of the Auction Final Price (being the price for obligations which are deliverable under, or providing a method for settlement of, an ISDA documented credit derivative transaction) because this will be used by the Exchange in the calculation of the Exchange Final Settlement Price in respect of any Event Protection Contracts that are issued. In circumstances where no Auction Final Price is determined by an ISDA Auction, the Exchange will use a fixed recovery rate in the calculation of the Exchange Final Settlement Price in respect of any such Event Protection Contracts unless the Board has determined that a physical settlement mechanism should replace fixed recovery rates as the appropriate means of settlement and has confirmed such a change by Notice and incorporated it into the Contract Terms.

Potential users of the LIFFE Credit Default Swap Index Contracts should be aware that the Exchange's Contract Terms reflect applicable definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions, each as published by ISDA (the "ISDA Definitions"). The Exchange's Contract Terms incorporate the applicable ISDA Definitions, and any subsequent supplements or amendments to and replacement of these definitions as published by ISDA from time to time. It is important that, before entering into a transaction in respect of LIFFE Credit Default Swap Index Contracts, potential users understand any risk, including any changes to the value of their position, that may be associated with opening a position under Contract Terms reflecting the current set of ISDA Definitions, which may result in a position governed by Contract Terms reflecting a subsequent set of ISDA Definitions."

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LIFFE CREDIT DEFAULT SWAP INDEX CONTRACTS
EXCHANGE GUIDANCE

Issue Date: 9 April 2009

Please refer to London Notice No. 3144 issued on 9 April 2009.

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Disclaimers

1. Introduction

- 1.1 This Guidance Document highlights certain areas where the Exchange's Contract Terms and Administrative Procedures differ from certain ISDA definitions and OTC conventions for the trading and processing of iTraxx credit derivatives. It is issued pursuant to, and should be read in conjunction with, the terms of the formal Contract Terms for LIFFE Credit Default Swap Index Contracts, the Rules relating to the Bclear Service (LIFFE Rules, Book II, Section 12) and the Exchange's Credit Event and Succession Event Policy.
- 1.2 This Guidance Document is designed to provide potential users of the Exchange's Credit Default Swap Index Contracts and their clients with certain information to assist in consideration of the issues and identification of the risks involved in establishing a position in LIFFE Credit Default Swap Index Contracts under the Exchange's Contract Terms as compared to a position established under an ISDA documented iTraxx contract. It is not exhaustive and therefore is intended to provide general guidance only on the areas addressed in this Guidance Document.
- 1.3 LIFFE accepts no responsibility for any errors or omissions in this Guidance Document or for any loss occasioned to any person acting or refraining from action as a result of any material contained in this publication. LIFFE considers this Guidance Document to be accurate at the time of the update of the LIFFE Credit Default Swap Index Contracts to reflect the publication of the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions (the "March 2009 Supplement"), but LIFFE accepts no responsibility to update the information in it.

2. Interpretation

- 2.1 The provisions in this Guidance Document should be read in conjunction with the definitions contained in the 'Interpretation' section of the formal Contract Terms for LIFFE Credit Default Swap Index Contracts and the 'Interpretation' section contained in the Credit Event and Succession Event Policy.

3. ISDA Definitions and iTraxx Standard Terms

- 3.1 The definitions contained in the Exchange's formal Contract Terms are intended to replicate, or be as closely aligned as possible to, the corresponding definitions and provisions contained in the 2003 ISDA Credit Derivatives Definitions as supplemented by the May 2003 Supplement to the 2003 ISDA Credit Derivatives Definitions and the March 2009 Supplement, each as published by ISDA (the "ISDA Definitions") and the iTraxx Europe Standard Terms Supplement and Form of Confirmation published on 19 September 2005, as updated by the 2009 ISDA Credit Derivatives Determinations Committees and Auction Supplement CDS Protocol published by ISDA on 12 March 2009 (the "iTraxx Standard Terms").

- 3.2 In respect of the definitions of possible Credit Events, the Exchange terms replicate those of ISDA, identifying Bankruptcy, Failure to Pay and Restructuring as possible Credit Events. Obligation Acceleration, Obligation Default and Repudiation/Moratorium are not defined as possible Credit Events in the Exchange's Contract Terms.
- 3.3 It is important to note that the Exchange's Contract Terms reflect the ISDA Definitions in place when the Credit Default Swap Index Contract is first entered into as well as any subsequent supplements or amendments to and replacements of these definitions as published by ISDA from time to time. Where ISDA issues supplements or amendments to or replacement of the ISDA Definitions, these will be applied to all existing LIFFE Credit Default Swap Index Contracts¹. The Exchange recognises that this does not reflect current OTC market practice, where a transaction remains bound by the ISDA Definitions in force when the contract was entered into. However, this is necessary, from a standardization perspective, to avoid dual listings, with separate pools of open interest and liquidity for contracts governed by different sets of ISDA Definitions.
- 3.4 Amendments to and replacements of the iTraxx Standard Terms will not be applied to existing LIFFE Credit Default Swap Index Contracts except where these are applied as a result of an amendment to or replacement of the ISDA Definitions.

4. Decisions on Credit Events and Succession Events

- 4.1 The Exchange's Credit Event and Succession Event Policy provides that determinations on Credit Events and Succession Events will be based on determinations by the credit derivatives determinations committees established by ISDA (the "DCs"). If a DC has decided not to deliberate, or has determined to dismiss a question on whether a Credit Event has occurred or relating to a Succession Event, the Exchange would not undertake a separate determination of that issue unless, in extremis, the Exchange was of the opinion that it was necessary to do so to maintain the integrity of LIFFE Credit Default Swap Index Contracts. However parties to an ISDA documented OTC transaction would be able to seek to establish that issue as a matter of fact for the purposes of that transaction.

5. Credit Event Settlement Process

- 5.1 The Exchange's Contract Terms define the date on which the Exchange issues a final Notice confirming that a Credit Event has occurred as the "Exchange Credit Event Determination Date". A final Notice confirming a Credit Event has occurred is a "Final Credit Event Confirmation Notice". This differs from the ISDA convention where the Event Determination Date is the date on

¹ If the Exchange determines that there could be uncertainty regarding the effect on the Contract Terms of any particular supplement or amendment to or replacement of the ISDA Definitions published by ISDA, then the Exchange shall determine, as soon as reasonably practicable in the circumstances, how that amendment to or replacement of the ISDA Definitions will be given effect in the Contract Terms and such determination shall be confirmed by Notice and incorporated into the Contract Terms.

which an eligible market participant (broadly a party to an ISDA documented transaction which is affected by the relevant event) refers a matter to a DC. For LIFFE Credit Default Swap Index Contracts, the Fixed Rate ceases to accrue with respect to a Reference Entity with effect from the Exchange Credit Event Determination Date. This will differ from the corresponding Event Determination Date established in the OTC market for ISDA documented transactions.

5.2 Determinations of a DC as to the occurrence of an event which is a Failure to Pay, Bankruptcy or Restructuring may be reversed by a subsequent determination of a DC, if new information becomes known to the DC although that reversal will not be binding on parties to an OTC documented transaction where an Auction Final Price has been determined under an ISDA Auction for the relevant Reference Entity. The timing of the issuance of a Final Credit Event Confirmation Notice will be decided by the Exchange, in its absolute discretion. Where there is an ISDA Auction the Exchange will seek to issue a Final Credit Event Confirmation Notice on or as close as practicable to the day when it is expected that the Auction Final Price will be determined under that ISDA Auction. Therefore, it is possible that the Final Credit Event Confirmation Notice will precede the day on which it is expected that the Auction Final Price will be set, in which case it is possible that a DC could reverse a decision after the Exchange has issued a Final Credit Event Confirmation Notice. However, once a Final Credit Event Confirmation Notice is issued, the Credit Event will be considered by the Exchange to be final and will not be reversed. In extremis, and only following the issuance of the Final Credit Event Confirmation Notice, if the Exchange determines that there is not likely to be an ISDA Auction, the Event Protection Contract will be settled using the Exchange Final Settlement Price as specified in the second part of Administrative Procedures (C) of the Contract Specification. (If the Board determines that the Exchange's CDS Contract should incorporate subsequent supplements or amendments to the applicable ISDA Definitions or other provisions, for instance in respect of changes to the treatment of Restructuring or physical settlement, this aspect of the Contract Terms may be amended).

5.3 Whereas parties to an ISDA documented transaction may specify physical settlement or cash settlement, all Exchange Event Protection Contracts will be cash settled. The Event Protection Contract, a non-tradeable contract issued to holders of LIFFE Credit Default Swap Index Contracts following the issue of the Final Credit Event Confirmation Notice, forms the mechanism for settlement following a Credit Event. The cash settlement amount is calculated using the Exchange Final Settlement Price. This will be based on the Auction Final Price determined by the relevant ISDA Auction where there is an ISDA Auction. A DC cannot resolve to hold an ISDA Auction for a Credit Event which is a Restructuring, although an ISDA Auction could be held if there was sufficient support from market participants at the time. Where the Exchange determines that no Auction Final Price is available, the Exchange will apply a fixed recovery rate of 40% for Bankruptcy and Failure to Pay events and 90% for Restructuring events. In the event that the Board determines that a physical settlement mechanism shall, from a specified date, replace fixed

recovery rates for the settlement of Event Protection Contracts in the absence of an Auction Final Price being determined by an ISDA Auction, such physical settlement (not fixed recovery rates) shall apply to Event Protection Contracts arising from existing registered Contracts at such specified date. Any such determination will be confirmed by Notice and incorporated into the Contract Terms.

- 5.4 It should be noted that ISDA provides no warranty or assurance as to the accuracy of data or valuations generated by ISDA credit event auctions or determinations made by the credit derivatives determinations committees or the fitness of such auctions or committees for any particular purpose.
- 5.5 Parties to an ISDA documented transaction may deliver multiple Credit Event Notices with respect to a Restructuring Credit Event to settle that Credit Event in tranches. Holders of positions in LIFFE Credit Default Swap Index Contracts will not be able to elect for multiple settlement. Once a Credit Event is formally declared by the Exchange the Credit Event process will be triggered for all positions.

6. Effective Date

- 6.1 The March 2009 Supplement introduces the Credit Event Backstop Date which means that a Credit Event must have occurred no more than 60 calendar days before the Credit Event Resolution Request Date. This is defined in the ISDA Definitions but, in summary is the date that valid notice is given to ISDA in accordance with the DC rules requesting a DC be convened to consider the event. The Credit Event Backstop Date will apply to LIFFE Credit Default Swap Index Contracts with effect from 20 June 2009. This is consistent with the approach being taken in the OTC market. Prior to 20 June 2009, under the LIFFE Credit Default Swap Index Contract a Credit Event must have occurred on or after the roll date for the relevant index. Prior to 20 June 2009, under an ISDA documented iTraxx contract a Credit Event must have occurred on or after the Effective Date (which is defined as the roll date of the relevant index).

7. Last Trading Day and Last Protection Day

- 7.1 OTC contracts governed by the ISDA Definitions include the concept of Scheduled Termination Date. In the Exchange's Contract Terms, Scheduled Termination Date is replaced by two elements: Last Trading Day and Last Protection Day. According to OTC convention, the Scheduled Termination Date is not adjusted if it falls on a day which is not a Business Day. The Exchange equivalent, Last Trading Day, must necessarily be adjusted for non-Business Days. To reflect OTC practice in relation to the period during which Credit Event protection is offered, the term Last Protection Day is contained within the Exchange's Contract Terms. This Last Protection Day is not adjusted if it falls on a non-Business Day.

8. Initial Payment Date and Event Protection Contract payment date

- 8.1 As defined in the Exchange's Contract Terms, the Initial Payment Date for LIFFE Credit Default Swap Index Contracts is the Clearing House Business Day following the Exchange Confirmation Date. This differs from current OTC market practice where the initial payment date is three business days following the trade date.
- 8.2 Similarly, the payment date in respect of an Event Protection Contract issued pursuant to the Exchange's Contract Terms shall be the Clearing House Business Day following the Final Settlement Day for such Event Protection Contract.
- 8.3 As noted in Section 5 above, the Exchange Credit Event Determination Date will differ from the corresponding Event Determination Date established in the OTC market. The Exchange Credit Event Determination Date is the date on which the Fixed Rate ceases to accrue with respect to a Reference Entity.

9. Successors

- 9.1 The ISDA Definitions include an ability for the calculation agent to the OTC contract, where more than one Successor is identified, to make adjustments to preserve the economic effects of the original credit derivative transaction following the division of that contract between those successors. There is no corresponding provision in the Exchange's Contract Terms or in the Exchange's policy for determining a Succession Event.

10. Substitute Reference Obligation

- 10.1 OTC contracts governed by the ISDA Definitions include provisions for the substitution or replacement of a Reference Obligation. In the Exchange's Contract Terms a Reference Obligation will only be substituted if the Index Sponsor publishes a replacement Reference Obligation for a Reference Entity. If the Index Sponsor does not publish a Reference Obligation for a Reference Entity (or a Successor) there will be no Reference Obligation.

11. Representations

- 11.1 OTC contracts governed by the ISDA Definitions contain a number of representations given by the parties. The Exchange's Contract Terms do not contain such representations.

12. Submission of Physical Settlement Requests to ISDA Auctions

- 12.1 LIFFE understands that permission has been granted by ISDA for holders of a LIFFE Credit Default Swap Index Contract to submit Physical Settlement Requests to ISDA credit event auctions via a Participating Bidder, if the Participating Bidder is willing to provide that service to the holder in question. It is the responsibility of holders of LIFFE Credit Default Swap Index Contracts wishing to submit Physical Settlement Requests to enter into any

necessary arrangements with a Participating Bidder in order to do so. For the avoidance of doubt, this is outside, and independent of, the cash settlement of the Exchange Event Protection Contract and neither the Exchange, the Clearing House or ISDA will make provisions on behalf of LIFFE Members or their clients to allow the submission of Physical Settlement requests. It is entirely the responsibility of holders of LIFFE Credit Default Swap Index Contracts to make the necessary arrangements with appropriate Participating Bidders, including, if necessary, updates to existing agreements to bring LIFFE contracts into the scope of those agreements, and putting in place enabling documentation to deal with the settlement of Physical Settlement Requests. LIFFE Members and their clients should ensure appropriate arrangements with a Participating Bidder are in place in advance of any announcement of an auction, as there is unlikely to be sufficient time to conclude arrangements once an auction has been announced.

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familiarise themselves with the applicable ISDA Definitions and for the definition of each type of Credit Event and Succession Event to be fully understood by users of the LIFFE Credit Default Swap Index Contracts, so that holders of positions in the LIFFE Credit Default Swap Index Contracts are not taking on greater risks than they intend. Potential users of the LIFFE Credit Default Swap Index Contract should familiarise themselves with the rules of the credit derivatives determinations committees established by ISDA (for the purposes of making certain determinations in connection with credit derivative transactions, including determinations on Credit Events and Succession Events) because decisions of these committees may be relied on to determine these questions for LIFFE Credit Default Swap Index Contracts. Potential users of the LIFFE Credit Default Swap Index Contracts should also familiarise themselves with the ISDA Auction methodology for the determination of the Auction Final Price (being the price for obligations which are deliverable under, or providing a method for settlement of, an ISDA documented credit derivative transaction) because this will be used by the Exchange in the calculation of the Exchange Final Settlement Price in respect of any Event Protection Contracts that are issued. In circumstances where no Auction Final Price is determined by an ISDA Auction, the Exchange will use a fixed recovery rate in the calculation of the Exchange Final Settlement Price in respect of any such Event Protection Contracts unless the Board has determined that a physical settlement mechanism should replace fixed recovery rates as the appropriate means of settlement and has confirmed such a change by Notice and incorporated it into the Contract Terms.

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