



DCO Rules

UNITED STATES COMMODITY FUTURES TRADING COMMISSION

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Eric Nield
General Counsel

July 6, 2023

Re: Updates to ICC Default Auction Procedures—Initial Default Auctions Pursuant to Section 5c(c)(1) of the Commodity Exchange Act and Commission Regulation 40.6(a)

VIA ELECTRONIC PORTAL

Mr. Christopher Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, D.C. 20581

Dear Mr. Kirkpatrick:

ICE Clear Credit LLC (“ICC”) hereby submits, pursuant to Section 5c(c)(1) of the Commodity Exchange Act (the “Act”) and Commodity Futures Trading Commission (“Commission”) Regulation 40.6(a), a self-certification of changes to ICC’s Default Auction Procedures—Initial Default Auctions (the “Auction Procedures”).¹ ICC is registered with the Commission as a derivatives clearing organization (“DCO”). ICC intends to implement the changes no sooner than the tenth business day following the filing of this submission with the Commission at its Washington, D.C. headquarters and with its Chicago regional office.

ICC proposes to revise its Auction Procedures. In the event of the default of an ICC Clearing Participant (“CP”), the Auction Procedures are designed to facilitate liquidation of the defaulter’s portfolio through a multi-lot modified Dutch auction.

The purpose of the proposed amendments is to incorporate feedback received from market participants during ICC’s 2022 default test to revise the Auction Procedures to provide ICC greater flexibility to determine that a minimum bid requirement is not appropriate for an auction participant in certain circumstances and/or to decide for a particular auction lot that so-called “juniorization” of participants’ guaranty fund contributions based on competitiveness of bidding is not appropriate. With respect to the minimum bid requirement, market participants expressed concern that certain market participants may not trade, or have the operational, risk management or other capacity to trade or otherwise manage, particular products cleared through ICC (e.g., index swaptions). If a participant were forced to bid for lots including such products, the participant might acquire in the default auction products for which it may not have the ready capability to manage the risk of its positions. Forcing participants to acquire such positions may result in an increase in systemic risk. Similarly, market participants have expressed concerns that while juniorization may in general incentivize robust bidding in the auction process, there may be particular situations where, in the light of the characteristics of the lot and participants involved in the auction, the risk of juniorization could make it more difficult to auction the lot successfully or might otherwise be undesirable or inappropriate for the auction.

To address these concerns, ICC proposes the following amendments to the Auction Procedures. Currently, under Section 2.4 of the Auction Procedures, all non-defaulting CPs and Direct Participating Customers² (collectively, “Auction Participants”) are required to bid for a minimum notional amount of contracts for each

¹ Capitalized terms used but not defined herein have the meanings specified in the Rules.

² A Direct Participating Customer is a customer of a CP that has been authorized to participate in an ICC default auction pursuant to the requirements set out in the Auction Procedures.



auction lot determined pro rata based on its required contribution to the ICC guaranty fund ("Minimum Bid Requirement"), subject to certain exceptions. ICC proposes to amend Section 2.4 to provide an additional exception to the extent ICC determines that the Minimum Bid Requirement would be inappropriate for certain Auction Participant(s) in light of: (i) the operational and other capabilities of such Auction Participant(s) to clear contracts in the relevant auction lot, or (ii) the conditions in the market for the contracts in the relevant auction lot. These amendments would allow ICC to determine that a Minimum Bid Requirement should not apply, among other cases, where the relevant Auction Participant does not have risk management or other operational capabilities to clear the relevant contracts. It also provides ICC with flexibility to eliminate a Minimum Bid Requirement in other circumstances it determines to be appropriate, to address market conditions and other circumstances that may be prevailing at the time.

Furthermore, ICC proposes amending Section 2.6 of the Auction Procedures to allow ICC to determine that for a particular auction lot, all Auction Participants will be treated as Senior Bidders in circumstances where ICC determines that "juniorization" may negatively impact ICC's ability to conduct a successful default auction given the then current market conditions. The effect of such a determination would be that "juniorization" of Lot Guaranty Fund Contributions and Lot Assessment Contributions will not occur, such that all such contributions will be applied on a pro rata basis rather than based on the relative competitiveness of bids made. ICC believes this flexibility is appropriate to address potential scenarios where juniorization may make it more difficult to run a successful auction or is otherwise inappropriate or undesirable for the auction in light of the particular circumstances at the time.

In addition, ICC received feedback from market participants during ICC's 2022 default test that making the foregoing revisions to ICC's Auction Procedures would better align such procedures with the default procedures of other clearing houses (e.g., LCH Ltd, LCH SA, and Eurex). According to such market participants, the foregoing clearing houses have rules and/or default procedures that, in general, exclude non-defaulting clearing members from mandatory participation in default auctions where such non-defaulting clearing members do not have exposure to the products in the default auction portfolio.

Core Principle Review:

ICC reviewed the DCO core principles ("Core Principles") as set forth in the Act. During this review, ICC identified the following Core Principles as being impacted:

Financial Resources: The revisions to the Auction Procedures are consistent with the financial resources requirements of Core Principle B and the financial resource requirements set forth in Commission Regulation 39.33. The proposed changes provide ICC greater flexibility to determine that a minimum bid requirement is not appropriate for an auction participant in certain circumstances and/or to decide for a particular auction lot that so-called "juniorization" of participants' guaranty fund contributions based on competitiveness of bidding is not appropriate. The revisions would allow ICC to determine that a Minimum Bid Requirement should not apply, among other cases, where the relevant Auction Participant does not have risk management or other operational capabilities to clear the relevant contracts. Such revisions provide ICC with flexibility to eliminate a Minimum Bid Requirement in other circumstances it determines to be appropriate, to address market conditions and other circumstances that may be prevailing at the time. Such changes are designed to promote effective and efficient auctions to facilitate the close-out of a defaulter's portfolio. In ICC's view, these enhancements strengthen ICC's ability to manage its financial resources and withstand the pressures of defaults, consistent with the requirements of Core Principle B.

Risk Management: The revisions to the Auction Procedures are consistent with the risk management requirements of Core Principle D and the risk management requirements set forth in Commission Regulation 39.36. As described above, the revisions are designed to protect against auction participants acquiring products in a default auction for which it may not have the ready capability to manage the risk of its positions. Forcing auction participants to acquire such positions may result in an increase in systemic risk, and the revisions are designed to avoid this increase in systemic risk. Such changes allow ICC to more



efficiently and safely manage its auction process. ICC believes that the proposed revisions augment ICC's procedures relating to default management and enhance ICC's ability to withstand defaults and continue providing clearing services. The proposed changes thus serve to promote the soundness of ICC's risk management system, thereby ensuring that ICC possesses the ability to manage the risks associated with discharging its responsibilities, consistent with the risk management requirements of Core Principle D.

Default Management: The revisions to the Auction Procedures and consistent with default procedure requirements of Core Principle G and the default procedure requirements set forth in Commission Regulation 39.16. ICC's default management rules and procedures contained in the ICC Rules and the Auction Procedures are publicly available on ICC's website. The proposed amendments enhance ICC's ability to withstand defaults and continue providing clearing services, including by promoting effective and efficient default auctions by adding flexibility in the application of minimum bid requirements and maximizing ICC's ability to efficiently and safely manage its auction process in default events, to ensure that ICC can take timely action to contain losses and liquidity pressures and to continue meeting its obligations in the event of a participant default. In ICC's view, the revisions to the Auction Procedures enhance ICC's default procedures by increasing the likelihood of ICC conducting an effective and efficient default auction, consistent with the default procedure requirements of Core Principle G.

Amended Rules:

The proposed changes consist of revisions to the ICC Initial Default Auction Procedures.

Annexed as an Exhibit hereto is the following:

- A. Proposed amendments to the ICC Initial Default Auction Procedures

Certifications:

ICC hereby certifies that the changes comply with the Act and the regulations thereunder. There were no substantive opposing views to the changes.

ICC certifies that, concurrent with this filing, a copy of the submission was posted on ICC's website, which may be accessed at: <https://www.theice.com/clear-credit/regulation>.

ICC would be pleased to respond to any questions the Commission or the staff may have regarding this submission. Please direct any questions or requests for information to the attention of the undersigned at eric.nield@ice.com or 312-836-6742.

Sincerely,

A handwritten signature in black ink, appearing to read 'E. Nield'.

Eric Nield
General Counsel

DEFAULT AUCTION PROCEDURES—INITIAL DEFAULT AUCTIONS

DEFAULT AUCTION PROCEDURES—INITIAL DEFAULT AUCTIONS

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1. INTRODUCTION

- 1.1 These Default Auction Procedures (the “**Auction Terms**”) govern the auctioning of one or more Lots (as defined below) representing a Contract or notional amount of Contracts to which a Defaulting Participant is or was a party, where such auction (“**Auction**”) is administered by ICE Clear Credit pursuant to Rule 20-605(d)(v) of the ICE Clear Credit Rules (the “**Rules**”). These Auction Terms will be subject to the provisions of the Rules.
- 1.2 These Auction Terms shall apply to every Auction conducted by ICE Clear Credit pursuant to Rule 20-605(d)(v) of the Rules. However, they may be modified or supplemented for any particular Auction pursuant to the relevant Auction Specifications as set out in paragraph 2.6, subject to consultation with the CDS Default Committee as provided under the Rules.
- 1.3 ICE Clear Credit will conduct Auctions in accordance with its default policies. In the event of a conflict between the terms of such default policies and these Auction Terms (as modified or supplemented by any applicable Auction Specification as set out in paragraph 2.6), these Auction Terms shall prevail.

2. THE AUCTION PROCESS

- 2.1 Any Auctions of Contracts to which a Defaulting Participant is or was party will take place after ICE Clear Credit has issued a Circular in relation to the Default specifying that an auction or auctions are to take place in accordance with Rule 20-605(d)(v) (such Circular, the “**Auction Announcement Circular**”). ICE Clear Credit will provide advance notice it determines is reasonable under the circumstances (but in any event at least one hour) to Participants prior to the Auction.
- 2.2 Each Participant is required to bid in every Auction and for every Lot in an Auction regardless of whether such Participant is at the time of the Auction a party to any Contract, has served a notice of termination for which the Termination Date has not yet passed or is in a Cooling-off Period, except as provided herein. For these Auction Terms the term 'Participant' shall be construed to exclude any Participant that is a Defaulting Participant. Subject to paragraphs 2.4 and 2.6 below, with respect to a Lot, all Participants are required to bid for a minimum notional amount of Contracts in such Lot as determined by ICE Clear Credit (taken with the minimum bid requirements applicable to Direct Participating Customers as set out in paragraph 2.6, in each case as the context so requires, the “**Minimum Bid Requirement**”). Each Participant’s Minimum Bid Requirement will be determined pro rata based on its Required Contribution as compared to the Required Contributions of all non-defaulting Participants, subject to paragraphs 2.4 and 5.6 below. The sum total of the Participants' Minimum Bid Requirements may be set to an amount greater than 100% (but no greater than 150%) of the notional amount of the Contracts in the relevant Lot as may be determined by ICE Clear Credit from time to time, in consultation with the CDS Default Committee.
- 2.3 A Participant may bid for the account of a Non-Participant Party (as used herein, a “**Customer**”), subject to paragraph 3.4.
- 2.4 Each Auction Participant's (as defined below) Minimum Bid Requirement in respect of a particular Lot shall be communicated to it individually by ICE Clear Credit through the ICE Clear Credit Default Management System (“**DMS**”) as soon as practicable prior to the relevant Auction. A Minimum Bid Requirement shall not apply to an Auction Participant for a particular Lot: (a) to the extent such a Minimum Bid Requirement would be in breach of applicable law or the Rules (including Rules relating to entry into of self-referencing CDS); ~~or~~ (b) to the extent such Lot includes Contracts that are sovereign CDS referencing the country in which such Auction Participant (or its ultimate parent company) is domiciled (for this purpose, attributions of domicile follow the Bloomberg Industry Classification System (BICS)); or (c) to the extent ICE Clear Credit determines a Minimum Bid Requirement would be inappropriate for that Auction Participant in light of the operational and other capabilities of such Auction Participant to clear the Contracts in the relevant Lot,

or the conditions in the market for the Contracts in the relevant Lot. An Auction Participant will notify ICE Clear Credit promptly and in any event at least 12 hours prior to the opening of the relevant Auction (or if ICE Clear Credit has provided less than 15 hours' notice of the relevant Auction, an Auction Participant will notify ICE Clear Credit as promptly as practicable but in any event within 3 business hours (or such shorter period of time until the Auction) following such notice), in writing, if it reasonably considers that clause (a) ~~or~~, (b) or (c) above applies to it. Affiliated Participants may transfer, outsource or aggregate their Minimum Bid Requirements to apply to a single one of them subject to notifying ICE Clear Credit prior to an Auction. A Participant that so transfers or outsources its Minimum Bid Requirement to an Affiliate remains liable for any breach by its Affiliate of these Auction Terms or the Auction Specifications in respect of such Participant's Minimum Bid Requirement (in addition to the liability on the part of its Affiliate for such breach). In addition, a Participant that so transfers or outsources its Minimum Bid Requirement to an Affiliate will, for the purposes of determining its Senior Guaranty Fund Contribution, Subordinate Guaranty Fund Contribution, Senior Assessment Contribution and/or Subordinate Assessment Contribution, and for determining whether it should be designated a Non-Bidding Participant, assumes the same position as a Senior Bidder, Split Bidder, Subordinate Bidder or Non-Bidding Participant, as the Affiliate as appropriate.

2.5 ICE Clear Credit may, in consultation with the CDS Default Committee, divide the portfolio of a Defaulting Participant into discrete Auctions, each consisting of one or more Lots (each, a "**Lot**") as it considers appropriate. ICE Clear Credit may at its discretion determine which particular Contracts or packages of Contracts are to be the subjects of a particular Lot and may establish Lots by selecting by way of Contract set or generic type (*e.g.* indices, single names or by sector). ICE Clear Credit may combine contracts with different currencies in the same Lot. In these circumstances, Auction Participants must still provide bids in a single currency, being that specified in the relevant Auction Specifications. Payment obligations resulting from the Auction will be in the specified currency. In creating any such Lots, ICE Clear Credit will consider if Contracts that provide margin offsets for one another in the normal margining methodology of ICE Clear Credit should be retained in the same Lot. It is expected that ICE Clear Credit will create one or more separate Lots consisting of Contracts for which one or more Participants is excused from a Minimum Bid Requirement under paragraph 2.4. ICE Clear Credit may, in consultation with the CDS Default Committee, conduct Auctions, and auction Lots within any Auction, in such order as it considers appropriate; provided that within any Auction ICE Clear Credit will use reasonable efforts to auction all Lots at the same time. Prior to the publication of an Auction Announcement Circular or the circulation of the Auction Specifications, ICE Clear Credit may have engaged in close-out or hedging trades or other transactions in respect of the portfolio of a Defaulting Participant. In exercising its discretion under this paragraph 2.5, ICE Clear Credit, in consultation with the CDS Default Committee, shall consider, wherever possible, taking into account ICE Clear Credit's margining methodology and margin requirements applicable to Participants, including within each Lot of Contracts, any Contracts which have been offset for the purposes of calculating the Defaulting Participant's margin requirements.

2.6 In respect of each Lot, ICE Clear Credit will provide each Participant and any Direct Participating Customer of a Participant (such Participant or Direct Participating Customer, an "**Auction Participant**") with information about Contracts to be auctioned, timing for the bidding process, participation criteria, and, without prejudice to paragraph 2.4, any applicable Minimum Bid Requirements and other matters electronically through the DMS (such information, the "**Auction Specifications**"), such Auction Specifications to be provided with such advance notice as ICE Clear Credit determines is reasonable under the circumstances (but in any event at least one hour) prior to the Auction. The Auction Specifications may include amendments or additions to any provision of these Auction Terms or may disapply any provision of these Auction Terms ~~(provided that~~ Without limiting the foregoing, to the extent ICE Clear Credit determines that "juniorization" may make it more difficult to run a successful auction or is otherwise inappropriate or undesirable for the particular Lot in light of the particular market conditions or circumstances at the time, Auction Specifications may provide that for such Lot, all Auction Participants will be treated as Senior Bidders (i.e., that "juniorization" of Lot Guaranty Fund

Contributions and Lot Assessment Contributions for such Lot will not occur). Auction Specifications may not modify or disapply any provision of the Default Auction Priority, except as provided in the preceding sentence, or otherwise be inconsistent with the Rules). In the event of any conflict between the Auction Specifications and these Auction Terms in respect of any particular Lot, the Auction Specifications shall prevail. If any Person which has been provided a copy of any Auction Specifications believes that he does not satisfy any of the specified participation criteria, he should contact ICE Clear Credit as soon as practicable, and, if ICE Clear Credit agrees that such Person does not satisfy the criteria, he shall refrain from bidding for the relevant Lot. ICE Clear Credit may restrict any such Person's access to Auctions if it determines that a Person does not satisfy the specified participation criteria. ICE Clear Credit may update or correct any details in the Auction Specifications at any time prior to the commencement of bidding in the relevant Auction. As used herein, a **“Direct Participating Customer”** is a Customer of a Participant invited by ICE Clear Credit to participate in an Auction, where (i) such Participant has confirmed that it will clear any resulting transactions of such Customer, (ii) such Customer has deposited with ICE Clear Credit the amount of US\$10 million (the **“Direct Auction Participant Deposit”**) for such Auction (covering all Lots therein), which may be applied as set forth herein and in the Rules, and (iii) such Customer has entered into an agreement with ICE Clear Credit with respect to such Customer's participation in the Auction in form and substance acceptable to ICE Clear Credit, pursuant to which, among other matters, such Customer agrees to be bound by these Auction Terms as they apply to a Direct Participating Customer. For the avoidance of doubt, the requirements applicable to a Direct Participating Customer will not apply to any other Customers of Participants for whose account a Participant may submit a bid in an auction. Bids made by a Direct Participating Customer will not count toward the Minimum Bid Requirement of any Participant acting for such Direct Participating Customer. Each Direct Participating Customer will have a Minimum Bid Requirement equal to 1% of the relevant Lot.

- 2.7 Auction Participants shall be treated equally as regards the provision of information relating to Auctions by ICE Clear Credit. Any Person (including any Participant, Customer or Direct Participating Customer) who receives any information in connection with an Auction or possible Auction shall hold such information in confidence and in accordance with the Rules, and shall not disclose it to any other Person except where such disclosure is made: (i) with the prior written consent of ICE Clear Credit; (ii) to a regulatory or governmental authority where a request is formally made to the Person by or on behalf of the same or pursuant to applicable law in writing, provided that the Person making such disclosure notifies ICE Clear Credit of its disclosure where it is lawful to do so; (iii) pursuant to an order of a competent court or other government authority or otherwise to such other Persons, at such times and in such manner as may be required by applicable law, provided that the Person making such disclosure notifies ICE Clear Credit of its disclosure where it is lawful to do so; or (iv) in the case of a Participant, to a Customer where such Customer has expressed his interest in participating in the Auction and is subject to a duty of confidentiality similar to that set out in this paragraph 2.7. For the avoidance of doubt, nothing in the foregoing paragraph shall prevent Auction Participants from disclosing information to counsel for the purposes of obtaining legal advice.
- 2.8 All bids must be submitted via the DMS (**“Bid Submission”**) and in the format and in the manner specified by ICE Clear Credit in the Auction Specifications. Bids can only be submitted during the time window and prior to the Bidding Close Time (as defined below) specified by ICE Clear Credit in the relevant Auction Specifications.
- 2.9 The Auction will proceed pursuant to a 'sealed bid' process whereby the relevant Auction Participants will be asked to submit bids for the Lot or a particular percentage of the Lot via the DMS. The Auction Specifications may specify a minimum bid size. The DMS will prevent Auction Participants from submitting bids below the minimum bid size. For the avoidance of doubt, any bid below any specified minimum bid

size that might be accepted by the DMS in error will be null and void, unless ICE Clear Credit, in its absolute discretion, determines otherwise. Successful bids will be determined in accordance with paragraph 5.3.

- 2.10 Intentionally Omitted.
- 2.11 During such period after the Bidding Close Time as is specified in the Auction Specifications, ICE Clear Credit will notify Auction Participants to inform them either: (i) that there were successful bidders and that such bidders have been notified; or (ii) that no bids were successful as determined in accordance with paragraphs 5.1 and/or 5.3.
- 2.12 A successful bidder (or its Participant, if applicable) may be required to post additional Margin as and when required in accordance with ICE Clear Credit's margin methodology and procedures.

3. **THE BIDDING PROCESS**

- 3.1 Auction Participants will make bids for each Lot in an Auction which, as a minimum, comply with any applicable Minimum Bid Requirement notified to it. Any failure to comply with an applicable Minimum Bid Requirement shall have the consequences set forth herein but shall not itself constitute a Default under the Rules. ICE Clear Credit is not obliged to solicit bids from Auction Participants other than notifying Auction Participants of any applicable Minimum Bid Requirement. ICE Clear Credit shall be entitled to use Direct Auction Participant Deposits in connection with an Auction as set forth herein and in the Rules.
- 3.2 With respect to each Auction, ICE Clear Credit will determine the "**Lot Guaranty Fund Weighting**" for each Lot in such Auction, which shall be the percentage equal to (A) the PRI applicable to such Lot divided by (B) the aggregate of the PRIs for all Lots in such Auction. For purposes hereof, the "**PRI**" for a Lot shall equal the Initial Margin requirement applicable to the positions comprising such Lot (exclusive of the so-called "jump-to-default risk" component), determined by ICE Clear Credit as of the most recent Initial Margin cycle prior to the Auction.
- 3.3 For purposes of Rule 802(b), the Default Auction Priority for an Auction (which shall apply for all Lots comprising such Auction) shall be as follows:
 - (i) first, the Required Contribution of each Participant that chooses not to participate in the Auction of any Lot (except as provided for in these Auction Terms) or that does not comply with any applicable Minimum Bid Requirement for any Lot ("**Non-Bidding Participants**"); and the Direct Auction Participant Deposits of each Direct Participating Customer that chooses not to participate in the Auction of any Lot (except as provided for in these Auction Terms) or that does not comply with any applicable Minimum Bid Requirement for any Lot ("**Non-Bidding Direct Customer**"), pro rata based on the relative size of its Required Contribution or Direct Auction Participant Deposit, as applicable;
 - (ii) second, the Subordinate Guaranty Fund Tranche, pro rata from the Subordinate Guaranty Fund Contributions based on their relative size;
 - (iii) third, the Senior Guaranty Fund Tranche, pro rata based on the relative size of the Senior Guaranty Fund Contributions;
 - (iv) fourth, any Additional ICC Collateral Deposit;
 - (v) fifth, the Assessment Contributions of each Non-Bidding Participant, pro rata based on the relative size of its Assessment Contribution;

(vi) sixth, the Subordinate Assessment Contribution Tranche, pro rata from the Subordinate Assessment Contributions based on their relative size; and

(vii) seventh, the Senior Assessment Contribution Tranche, pro rata based on the relative size of the Senior Assessment Contributions.

Notwithstanding anything to the contrary herein, a Non-Bidding Participant with respect to any Lot, or a Non-Bidding Direct Customer with respect to any Lot will be treated as such for purposes hereof with respect to all Lots in the relevant Auction, regardless of whether it would otherwise have been a Senior Bidder, Excused Bidder or Subordinate Bidder for any other Lot.

For the avoidance of doubt, the Lot Customer Deposit of a Direct Participating Customer that is a Senior Bidder for that Lot will not be applied pursuant to the Default Auction Priority. Following the conclusion of the Closing-out Process with respect to an Auction, any unused Direct Auction Participant Deposits will be returned to the relevant Direct Participant Customers.

As used herein:

“AP” means the Auction Clearing Price for a Lot (converted into USD at the relevant FX spot rate, if applicable), proportionately scaled to a portfolio size representing 100% of the relevant Lot.

“BP” means for an Auction Participant and a Lot, the more competitive of (1) the weighted average bid price of all valid Standard Bids made by such Auction Participant in the Auction (weighted by the portfolio size of each such bid, and converted into USD at the relevant FX spot rate, if applicable), and (2) the price of any valid All or Nothing Bid made by such Auction Participant in the Auction, both proportionately scaled to a portfolio size representing 100% of the relevant Lot. Where the Standard Bids submitted by an Auction Participant in the Auction are in excess of its Minimum Bid Requirement, such weighted average shall only take into account its most competitive bids in the aggregate equal to such Minimum Bid Requirement. Where the Standard Bids submitted by an Auction Participant do not comply with any applicable Minimum Bid Requirement for the Auction, the BP shall be the price of any All or Nothing Bid made by such Auction Participant in the Auction, should it have made one. If an Auction Participant does not comply with any applicable Minimum Bid Requirement based on its Standard Bids, and that Auction Participant does not provide a valid All or Nothing Bid, then the Auction Participant shall be considered a Non-Bidding Participant under paragraph 3.3(i). For the avoidance of doubt, where an Auction Participant has submitted only Standard Bids or has submitted only an All or Nothing Bid, BP shall be the weighted average bid price of the Standard Bids, or the price of the All or Nothing Bid, respectively. In the case of a Participant, BP shall take into account all valid bids made by it for both its customer and proprietary accounts, but shall not include bids made by a Direct Participating Customer for which it acts as Participant.

“Excused Bidder” means, with respect to a Lot, a Participant or Direct Participating Customer that is not subject to a Minimum Bid Requirement under paragraph 2.4 and does not participate in the Auction for such Lot.

“Lot Assessment Contribution” means, for a Lot and a Participant, the Lot Guaranty Fund Weighting multiplied by the Assessment Contribution of such Participant.

“Lot Customer Deposit” means, for a Lot and a Direct Participating Customer, the Lot Guaranty Fund Weighting multiplied by the Direct Auction Participant Deposit of such Direct Participating Customer for such Auction.

“Lot Guaranty Fund Contribution” means, for a Lot and a Participant, the Lot Guaranty Fund Weighting multiplied by the Required Contribution of such Participant.

“Senior Assessment Contribution” means, with respect to a Lot:

- (i) for a Participant that is a Senior Bidder or Excused Bidder, its Lot Assessment Contribution;
- (ii) for a Participant that is a Split Bidder, a portion of its Lot Assessment Contribution determined pursuant the following formula:

$$\text{its Lot Assessment Contribution multiplied by } [(BP - \text{Subordinate Threshold Price}) / PRI]$$
- (iii) for a Participant that is a Subordinate Bidder, zero; and
- (iv) in the case of a Failed Lot, for each Participant, its Lot Assessment Contribution.

“Senior Assessment Contribution Tranche” means the aggregate of the Senior Assessment Contributions of each Participant for all Lots.

“Senior Bidder” shall mean, with respect to a Lot, an Auction Participant whose BP for the Lot is more competitive than the Senior Threshold Price.

“Senior Guaranty Fund Contribution” means, with respect to a Lot:

- (i) for a Participant that is a Senior Bidder or Excused Bidder, its Lot Guaranty Fund Contribution;
- (ii) for a Participant that is a Split Bidder, a portion of its Lot Guaranty Fund Contribution determined pursuant the following formula:

$$\text{its Lot Guaranty Fund Contribution multiplied by } [(BP - \text{Subordinate Threshold Price}) / PRI]$$
- (iii) for a Participant that is a Subordinate Bidder, zero;
- (iv) in the case of a Failed Lot, for each Participant, its Lot Guaranty Fund Contribution;
- (v) for a Direct Participating Customer that is a Senior Bidder or Excused Bidder, zero;
- (vi) for a Direct Participating Customer that is a Split Bidder, a portion of its Lot Customer Deposit determined pursuant to the following formula:

$$\text{its Lot Customer Deposit multiplied by } [(BP - \text{Subordinate Threshold Price}) / PRI]$$
- (vii) for a Direct Participating Customer that is a Subordinate Bidder, zero; and
- (viii) in the case of a Failed Lot, for each Direct Participating Customer, its Lot Customer Deposit.

“Senior Guaranty Fund Tranche” means the aggregate of the Senior Guaranty Fund Contributions of each Participant and Direct Participating Customer for all Lots.

“Senior Threshold Price” shall mean, with respect to a Lot, an amount (expressed in dollars, with a negative number meaning an amount payable by ICE Clear Credit) equal to AP minus $\frac{1}{2}$ of the PRI. Solely for purposes of the calculation of the Senior Threshold Price, AP will be the Auction Clearing Price that would have been determined with respect to 100% of the Lot (or the applicable fill percentage) originally proposed

to be auctioned, even if the actual Auction Clearing Price is ultimately determined based on only a portion of such Lot pursuant to paragraph 5.5.

“Split Bidder” shall mean, with respect to a Lot, an Auction Participant whose BP for the Lot is between the Senior Threshold Price and the Subordinate Threshold Price (inclusive).

“Subordinate Assessment Contribution” means, with respect to a Lot:

- (i) for a Participant that is a Subordinate Bidder, its Lot Assessment Contribution;
- (ii) for a Participant that is a Split Bidder, a portion of its Lot Assessment Contribution equal to its Lot Assessment Contribution minus its Senior Assessment Contribution;
- (iii) for a Participant that is a Senior Bidder or Excused Bidder, zero; and
- (iv) in the case of a Failed Lot, for each Participant, zero.

“Subordinate Assessment Contribution Tranche” means the aggregate of the Subordinate Assessment Contributions of each Participant for all Lots.

“Subordinate Bidder” shall mean, with respect to a Lot, an Auction Participant whose BP for the Lot is less competitive than the Subordinate Threshold Price.

“Subordinate Guaranty Fund Contribution” means, with respect to a Lot:

- (i) for a Participant that is Subordinate Bidder, its Lot Guaranty Fund Contribution;
- (ii) for a Participant that is a Split Bidder, a portion of its Lot Guaranty Fund Contribution equal to its Lot Guaranty Fund Contribution minus its Senior Guaranty Fund Contribution;
- (iii) for a Participant that is a Senior Bidder or Excused Bidder, zero;
- (iv) in the case of a Failed Lot, for each Participant, zero;
- (v) for a Direct Participating Customer that is a Subordinate Bidder, its Lot Customer Deposit;
- (vi) for a Direct Participating Customer that is a Split Bidder, a portion of its Lot Customer Deposit equal to its Lot Customer Deposit minus its Senior Guaranty Fund Contribution;
- (vii) for a Direct Participating Customer that is a Senior Bidder or Excused Bidder, zero; and
- (viii) in the case of a Failed Lot, for each Direct Participating Customer, zero.

“Subordinate Guaranty Fund Tranche” means the aggregate of the Subordinate Guaranty Fund Contributions of each Participant and Direct Participating Customer for all Lots.

“Subordinate Threshold Price” shall mean, with respect to a Lot, an amount (expressed in dollars, with a negative number meaning an amount payable by ICE Clear Credit) equal to (A) AP minus (B) 1.5 multiplied by the PRI. Solely for purposes of the calculation of the Subordinate Threshold Price, AP will be the Auction Clearing Price that would have been determined with respect to 100% of the Lot (or the applicable fill percentage) originally proposed to be auctioned, even if the actual Auction Clearing Price is ultimately determined based on only a portion of such Lot pursuant to paragraph 5.5.

- 3.4 The Default Auction Priority established for an Auction will apply to all amounts charged or to be charged to the General Guaranty Fund under the Rules with respect to all Lots comprising such Auction in the aggregate. References herein to the use of Required Contributions or Assessment Contributions shall be to the available amount thereof under the Rules (excluding any such amounts that were not collected or that have been previously applied in accordance with the Rules). In the case of a Specified WWR CDS Participant, references herein to its Required Contribution shall also include its Specific WWR Guaranty Fund Contribution (where the Defaulting Participant is not a Specific WWR CDS Participant). For the avoidance of doubt, if an Auction fails in respect of all Lots, no Default Auction Priority will be established for that Auction and amounts will be charged to the General Guaranty Fund as set forth under the Rules until the completion of a subsequent Auction under these Auction Terms, if any (which subsequent Auction shall establish a new Default Auction Priority).
- 3.5 An Auction Participant may submit multiple bids for each Lot, or a percentage of each Lot, in a particular Lot on its own account or for the account of a Customer, as the case may be, provided that such Auction Participant ensures that all of its bids, whether for its account or for the account of its Customers, as the case may be, are provided in the same Bid Submission or otherwise as specified in the Auction Specifications (“**Standard Bids**”). In addition to submitting one or more Standard Bids pursuant to the Auction Specifications, an Auction Participant may choose to submit one bid of a different type which, should that bid be a winning bid, stipulates the receipt of 100% of the Auction Portfolio without that award being split amongst more competitively priced Standard Bids (“**All or Nothing Bid**”). In order to categorize a bid as an All or Nothing Bid, the Auction Participant must specifically mark the bid as an All or Nothing Bid in its Bid Submission. For the avoidance of doubt, the submission of an All or Nothing Bid does not disqualify an Auction Participant from submitting one or more Standard Bids for each Lot, or a percentage of each Lot, whether for its account or for the account of its Customers, provided that such Auction Participant ensures that all of its bids, whether for its account or for the account of its Customers, as the case may be, are submitted in the same Bid Submission or otherwise as specified in the Auction Specifications. A bid made by an Auction Participant by, for, or on behalf of a Customer shall be identified as such and such bid shall be treated as a bid for the Client Origin Account. A Participant can satisfy its Minimum Bid Requirement by submitting multiple bids with differing bid prices and bid sizes provided that, in aggregate, its submitted bids equals or exceeds the Minimum Bid Requirement and any individual bid is equal to or larger than any applicable minimum bid size. Successful bidders will be determined in accordance with paragraph 5.3.
- 3.6 All the requirements of the Rules concerning the provision of information to ICE Clear Credit apply in respect of the submission of bids by an Auction Participant.
- 3.7 Bids can only be submitted during the time window specified by ICE Clear Credit in the Auction Specifications. The time period for submission will end at the bidding close time specified by ICE Clear Credit for the relevant Auction in the Auction Specifications (“**Bidding Close Time**”). The Bidding Close Time may be postponed for up to one hour by ICE Clear Credit giving notice of such postponement to all Auction Participants, following consultation to the extent practicable with the CDS Default Committee and the term “Bidding Close Time” shall be construed accordingly.
- 3.8 A bid must be in respect of all Contracts or a percentage of all Contracts in the relevant Lot. Any partial bids, such as bids which specify a particular CDS Contract, will be invalid and void. With respect to a particular Lot, no Auction Participant is permitted to bid, in aggregate, in excess of the notional amount of Contracts being auctioned in such Lot.
- 3.9 No Auction Participant may make a referential bid (for example a bid which purports to be a bid which is \$1 higher or lower than the highest or lowest bidder) or make a bid that is subject to conditions. Any such bid will be treated as invalid and void.

- 3.10 An Auction Participant may amend or modify a submitted bid by resubmitting its entire Bid Submission. In the event a Bid Submission is resubmitted with any amendments or modifications ICE Clear Credit will disregard any previous Bid Submission submitted by such Auction Participant and any such previous Bid Submission will be null and void. After the Bidding Close Time, all submitted Bid Submissions are irrevocable provided that if ICE Clear Credit is satisfied, upon the request of an Auction Participant, that a genuine mistake has been made in the submission of a bid, ICE Clear Credit may, at its own discretion, permit the Auction Participant to withdraw the bid and/or correct such mistake, before the Auction Clearing Price is determined. If such erroneous bid is so withdrawn but not corrected by such time, it will be deemed not to have been submitted for purposes of these Auction Terms.
- 3.11 Each bid will be deemed to have been submitted at the time it is recorded as being received by ICE Clear Credit. Except as provided in paragraph 3.10, any bid received after the Bidding Close Time will be treated as invalid and void.
- 3.12 Any bid that does not comply with the requirements of these Auction Terms or the Auction Specifications will be treated as invalid and void. Bids so invalidated will not be counted toward a Participant's Minimum Bid Requirement.

4. PARTICIPATION BY CUSTOMERS IN THE AUCTION

- 4.1 A Participant may make separate bids in respect of its Customers (in addition to any bids for its own account), in accordance with the Auction Specifications and paragraph 3.5. A Participant must have all due approval, consent or authorization from its Customer to make the relevant bid. Each Participant that makes bids on behalf of a Customer (other than, for the avoidance of doubt, a Direct Participating Customer) represents, acknowledges and agrees that such Customer will be subject to the restrictions of paragraph 2.7 with respect to any information provided to such Customer in connection with the Auction.
- 4.2 A Participant shall become liable for the entry into of Contracts resulting from the bids made on behalf of a Customer and any bid made by its Direct Participating Customer in the same way as it is liable for and becomes party to other Contracts entered into for its Client Origin Account or otherwise for Customers pursuant to the Rules.
- 4.3 Except as otherwise set out in these Auction Terms and as provided for in the Rules, each Auction Participant is hereby deemed to have agreed to become bound by these Auction Terms and by the Rules as if it were a Participant in respect of its conduct in relation to an Auction.
- 4.4 ICE Clear Credit reserves the right to verify any bid to ensure such bid will be cleared by a Participant and reserves the right to invalidate a bid where ICE Clear Credit reasonably believes that such bid, if accepted, would not be cleared by a Participant (notwithstanding paragraph 4.2) or that such bid would be in breach of any position limits or other risk policies implemented by ICE Clear Credit pursuant to the Rules. Any such invalidation will be made prior to the notifications made pursuant to paragraphs 2.11 and 5.8. Bids so invalidated will not be counted toward a Participant's Minimum Bid Requirement.

5. SELECTION OF THE WINNING BID

- 5.1 ICE Clear Credit's goal will be to conduct a successful and competitive Auction without using more default resources than are available under the Rules and appropriate given market conditions, considering all relevant factors, including the Defaulting Participant's available funds, the anticipated rate of consumption of the Defaulting Participant's available funds, the effectiveness of hedging on the Auction portfolio, the anticipated market depth for the Contracts in the Defaulting Participant's portfolio, the relationship of the risk profile of the Lot to the Defaulting Participant's aggregate portfolio, ICE Clear Credit's default resources, the characteristics of the bids received (including the distribution of bids, increments between bids and the

consumption of default resources at different potential clearing bid levels and auction fill levels) and other relevant market characteristics and conditions.

- 5.2 ICE Clear Credit may at its discretion, in consultation with the CDS Default Committee, withdraw a Lot prior to the Bidding Close Time.
- 5.3 Promptly after the Bidding Close Time for a Lot, ICE Clear Credit will sort bids submitted to it in the order of the bid price (the price bid per unit of notional amount). The bids will be ordered sequentially, starting with the highest bid price and ending with the lowest bid price. The price of the bid at which the sum of the notional amount of Contracts with equal or higher bid prices equals or is greater than the notional amount of Contracts being auctioned shall be the auction clearing price for the Lot (the “**Auction Clearing Price**”), such price being either payable by ICE Clear Credit to the Auction Participant or its Participant or to ICE Clear Credit by the Auction Participant or its Participant, as applicable. In the event that an All or Nothing Bid(s) is included in the sum of the notional amount of Contracts with equal or higher bid prices that are equal or greater than the notional amount of Contracts being auctioned, then the price of such All or Nothing Bid(s) shall be the Auction Clearing Price. In the event that a bid is also invalid or void or no CDS Contract is established with the Auction Participant (or, if applicable, its Participant) submitting any bid for any reason, such bid will not be accepted.

Examples of how the Auction Clearing Price is calculated is set out below, for illustrative purposes only:

Example 1

Note in these examples a negative bid indicates a payment by ICE Clear Credit

Price Rank	Is All or Nothing Bid	Bid Size (% of Auction Portfolio)	Bid Price (Payment per 100%)	Size x Price	Allocation % of Portfolio
1	No	20%	\$100,000	\$20,000	20%
2	No	30%	\$0	\$0	30%
3	No	25%	(\$10,000,000)	(\$2,500,000)	25%
4	No	25%	(\$12,000,000)	(\$3,000,000)	25%
5	No	30%	(\$13,000,000)	(\$3,900,000)	0%
6	No	40%	(\$15,000,000)	(\$6,000,000)	0%
7	No	50%	(\$15,500,000)	(\$7,750,000)	0%
8	No	40%	(\$16,000,000)	(\$6,400,000)	0%
9	No	20%	(\$16,500,000)	(\$3,300,000)	0%
10	No	20%	(\$215,000,000)	(\$43,000,000)	0%

Unless paragraph 5.5 applies, the Auction Clearing Price will be - \$12,000,000/100%. Portfolio will be allocated in full to bids above the Auction Clearing Price.

Example 2

Price Rank	Is All or Nothing Bid	Bid Size (% of Auction Portfolio)	Bid Price (Payment per 100%)	Size x Price	Allocation % of Portfolio
1	No	20%	\$100,000	\$20,000	20%
2	No	30%	\$0	\$0	30%
3	No	25%	(\$1,000,000)	(\$2,500,000)	25%
4	No	30%	(\$12,000,000)	(\$3,600,000)	25%
5	No	30%	(\$13,000,000)	(\$3,900,000)	0%
6	No	35%	(\$15,000,000)	(\$5,250,000)	0%
7	No	50%	(\$15,500,000)	(\$7,750,000)	0%
8	No	40%	(\$16,000,000)	(\$6,400,000)	0%
9	No	20%	(\$16,500,000)	(\$3,300,000)	0%
10	No	20%	(\$215,000,000)	(\$43,000,000)	0%

Unless paragraph 5.5 applies, the Auction Clearing Price will be - \$12,000,000/100%. Portfolio will be allocated in full to bids 1, 2 and 3 and allocated in part to bid 4.

Example 3

Price Rank	Is All or Nothing Bid	Bid Size (% of Auction Portfolio)	Bid Price (Payment per 100%)	Size x Price	Allocation % of Portfolio
1	No	20%	\$100,000	\$20,000	20%
2	No	30%	\$0	\$0	30%
3	No	25%	(\$10,000,000)	(\$2,500,000)	25%
4 (1)	No	30%	(\$12,000,000)	(\$3,600,000)	12.5%

Unless paragraph 5.5 applies, the Auction Clearing Price will be - \$12,000,000/100%. Portfolio will be allocated in full to bids 1, 2 and 3. Bids 4(1) and 4(2) will receive a *pro rata* share of the remaining portfolio.

4 (2)	No	30%	(\$12,000,000)	(\$3,600,000)	12.5%
6	No	30%	(\$13,000,000)	(\$3,900,000)	0%
7	No	35%	(\$15,000,000)	(\$5,250,000)	0%
8	No	50%	(\$15,500,000)	(\$7,750,000)	0%
9	No	40%	(\$16,000,000)	(\$6,400,000)	0%
10	No	20%	(\$16,500,000)	(\$3,300,000)	0%

Example 4

Price Rank	Is All or Nothing Bid	Bid Size (% of Auction Portfolio)	Bid Price (Payment per 100%)	Size x Price	Allocation % of Portfolio
1	No	20%	\$100,000	\$20,000	0%
2	No	30%	\$0	\$0	0%
3	Yes	100%	(\$3,000,000)	(\$3,000,000)	100%
4	No	25%	(\$10,000,000)	(\$2,500,000)	0%
6	No	40%	(\$15,000,000)	(\$6,000,000)	0%
7	No	50%	(\$15,500,000)	(\$7,750,000)	0%
8	No	40%	(\$16,000,000)	(\$6,400,000)	0%
9	No	20%	(\$16,500,000)	(\$3,300,000)	0%
10	No	20%	(\$215,000,000)	(\$43,000,000)	0%

Unless paragraph 5.5 applies, the Auction Clearing Price will be -\$3,000,000/100%. Portfolio will be allocated in full to bid 3.

- 5.4 All Contracts shall be allocated to winning Auction Participants at the Auction Clearing Price in a fair and consistent manner and in accordance with the bid size used in the calculation of the Auction Clearing Price. All or Nothing Bid(s) which set the Auction Clearing Price under paragraph 5.3 will be given precedence over Standard Bids. In this case, no Standard Bids will receive a share of the Auction Portfolio, even if their bid prices are higher than or equal to the Auction Clearing Price. In the event that there are multiple Standard Bids and no All or Nothing Bids at the Auction Clearing Price, to the extent there is a shortfall of Contracts being available, Contracts shall be allocated *pro rata* according to the notional amount of Contracts the relevant Auction Participants bid for at the relevant price. In the event that there are

multiple All or Nothing Bids at the Auction Clearing Price, the portfolio will be allocated equally among the Auction Participants submitting those All or Nothing Bids. Bids invalidated pursuant to paragraph 4.4 or bids that ICE Clear Credit determines, in consultation with the CDS Default Committee, would be inconsistent with the considerations set forth in paragraph 5.1 may, at the discretion of ICE Clear Credit be excluded for the purposes of calculating the Auction Clearing Price or allocating Contracts at the Auction Clearing Price.

- 5.5 ICE Clear Credit may, in any given Auction of a Lot (the “**First Auction**”) at its discretion, in consultation with the CDS Default Committee, (i) determine the Auction Clearing Price for such Lot for less than 100% of the notional amount of the Contracts if in the reasonable determination of ICE Clear Credit, a material impact on the amounts payable or receivable by ICE Clear Credit would result if 100% of the notional amount of the Contracts were awarded in the Auction, in which case ICE Clear Credit will call a second Auction (a “**Second Auction**”) to auction off any remainder of such Lot; or (ii) determine, in light of the bids received (or lack of bids received), the size of the bids received, and the considerations set forth in paragraph 5.1, that there will be no successful bidder for the Lot and that the Auction for that Lot shall be treated as a failed Auction (a “**Failed Lot**”). If clause (i) applies, the portion of the relevant Lot that will be auctioned in a Second Auction will be treated as a Failed Lot for purposes of the application of the Default Auction Priority for the First Auction, and the relevant Lot Guaranty Fund Weightings will be modified accordingly. If clause (i) applies, any All or Nothing Bids shall be disregarded.

An example of how this paragraph 5.5 would apply is set out below, for illustrative purposes only:

Price Rank	Is All or Nothing Bid	Bid Size (% of Auction Portfolio)	Bid Price (Payment per 100%)	Size x Price	Allocation % of Portfolio
1	No	20%	\$100,000	\$20,000	20%
2	No	30%	\$0	\$0	30%
3	No	30%	(\$10,000,000)	(\$30,000)	30%
4	No	20%	(\$12,000,000)	(\$2,400,000)	0%
5	No	30%	(\$13,000,000)	(\$3,900,000)	0%
6	No	40%	(\$15,000,000)	(\$6,000,000)	0%
7	No	50%	(\$15,500,000)	(\$7,750,000)	0%
8	No	40%	(\$16,000,000)	(\$6,400,000)	0%
9	No	20%	(\$16,500,000)	(\$3,300,000)	0%
10	No	20%	(\$215,000,000)	(\$43,000,000)	0%

The Auction Clearing Price for 80% of the portfolio shall be - \$10,000,000/100%

Price of remaining 20% will be determined in a Second CDS Auction

- 5.6 Any Second Auction shall be announced pursuant to a further Auction Announcement Circular and shall be held in accordance with these Auction Terms. ICE Clear Credit shall publish to the DMS an Auction Specification for a Second Auction. An Auction Participant for the First Auction shall be deemed to be an

Auction Participant for the Second Auction. ICE Clear Credit may at its discretion withdraw a Lot in the Second Auction prior to the relevant Bidding Close Time. The Minimum Bid Requirement applicable to each Auction Participant shall be reduced by any Contracts actually won by such Auction Participant (including, in the case of a Participant, any bids won by, for, or on behalf of, such Participant's Customers) at the Auction Clearing Price pursuant to the First Auction. Any such reductions in Participants' Minimum Bid Requirements will be shared *pro rata* as an increased Minimum Bid Requirement for all Participants who did not have any Contracts allocated to them at the Auction Clearing Price pursuant to the First Auction.

- 5.7 In the case of a bid which results in the entry into a CDS Contract or Contracts at the Auction Clearing Price, a “**Winning Bidder**” as used herein will be the relevant Participant(s) (for its House Account or its Client Origin Account for the account of the relevant Customer, as applicable).
- 5.8 Each bid constitutes an offer to ICE Clear Credit to enter into Contracts, such offer being made by the relevant Participant. ICE Clear Credit shall use reasonable endeavors to notify Winning Bidders within 15 minutes after the Bidding Close Time of either the First Auction or the Second Auction, as the case may be. Immediately upon notification by ICE Clear Credit to a bidder that it has a winning bid through the DMS and without the need for any further step, this shall constitute acceptance of the offer by ICE Clear Credit and resulting Contracts shall be entered into between ICE Clear Credit and the Winning Bidder (for its House Account or its Client Origin Account for the account of the relevant Customer, as applicable) in accordance with the Rules, on economically identical terms to the Contracts that are the subject of the Lot in the relevant Auction.
- 5.9 ICE Clear Credit may abandon or alter the procedure for any Auction, including conducting subsequent Auctions, at any time prior to the entry into of Contracts with Winning Bidders, taking into account such considerations as it deems necessary or desirable to protect the financial integrity of ICE Clear Credit, the Participants generally or the marketplace for any instruments cleared by ICE Clear Credit, and such other matters as it may deem appropriate, and in consultation with the CDS Default Committee as provided under the Rules.
- 5.10 In the event of one or more Failed Lots for an Auction, for whatever reason, ICE Clear Credit may, at its discretion, in consultation with the CDS Default Committee, (i) run a Second Auction for the same Lot or Lots in accordance with paragraph 5.6 and/or (ii) run a new Auction for the remaining portfolio (which may include differently organized or constituted Lots, as determined to be appropriate by ICE Clear Credit hereunder). There shall be no limit to the number of repeated Auctions under this provision, subject to the requirements of the Rules (including the governance provisions thereof).

6. **POST-BID PROCEDURE**

- 6.1 The Winning Bidder will become a party to new Contracts with ICE Clear Credit on economically identical terms to the Contracts that are the subject of the Lot in the Auction. Contracts will be established with the Winning Bidder pursuant to the termination of relevant Contracts between the Defaulting Participant and ICE Clear Credit and the establishment of new, economically identical Contracts between ICE Clear Credit and the Winning Bidder pursuant to Rule 20-605.
- 6.2 Intentionally omitted.
- 6.3 New Contracts resulting from the Auction will be established between ICE Clear Credit and the Winning Bidder(s) (or its or their Participant(s)) in respect of any particular Contract, at the Auction Clearing Price determined by ICE Clear Credit as at the time specified in accordance with paragraph 6.5.

- 6.4 The Winning Bidder may be subject to an additional Margin call as a consequence of it becoming party to Contracts pursuant to an Auction (whether for its House Account or Client Origin Account). Any call for Margin required under these Auction Terms will take place pursuant to the Rules.
- 6.5 Records of new Contracts in accounts at ICE Clear Credit may be updated by ICE Clear Credit after the time that new Contracts arise. The Winning Bidder will become party to new Contracts resulting from the Auction at the time that it is notified by ICE Clear Credit that it is the Winning Bidder, notwithstanding the time at which the establishment of new Contracts is completed in ICE Clear Credit's books and records.
- 6.6 Once new Contracts have been established between the Winning Bidder and ICE Clear Credit, the bid which gave rise to the Contracts will be treated as valid regardless of any failure of the Auction Participant to have satisfied any participation criteria or otherwise as to the validity of any bid.

7. **OTHER TERMS**

- 7.1 Neither ICE Clear Credit nor any of its Affiliates makes any representation or warranty as to the accuracy of any records of the Defaulting Participant or any of its Affiliates. In particular, ICE Clear Credit makes no representation or warranty as to whether any CDS Contract recorded in the House Account or Client-Origin Account of the Defaulting Participant is correctly recorded in such account or as to whether any consent of any Customer or Affiliate of the Defaulting Participant is required to any Auction or the termination of Contracts to which a Defaulting Participant is party. ICE Clear Credit makes no warranty, whether express or implied, as to quality, appropriateness or in respect of the merits of any investment decision relating to any Lot. ICE Clear Credit does not provide, and is not responsible or liable for, any investment advice in relation to any Auction.
- 7.2 Although the information provided by ICE Clear Credit is believed to be accurate subject to the qualifications in paragraph 7.1 above, neither ICE Clear Credit nor any of its Affiliates, nor any of their respective agents, officers, directors, committee members, employees, or advisers makes any representation or warranty, express or implied, as to the accuracy or completeness of such information, including but not limited to the value or marketability of any Contracts or Open Contract Positions. Each Auction Participant is responsible for making its own determination as to whether to proceed with or without further investigation or as to its bidding (including the appropriate bidding value) on any Lot.
- 7.3 ICE Clear Credit is under no obligation to enforce these Auction Terms against a bidder at the request of any other bidder.
- 7.4 All Auction Participants are hereby on notice that ICE Clear Credit is not a member of any professional or other association, society, institution or organization of auctioneers or agents and is not therefore bound by the rules or practices of any such association, society, institution or organization. The conduct of Auctions may be carried out only to manage a Default in accordance with the Rules and does not constitute the ordinary day-to-day business of ICE Clear Credit. Any standard rules, customs, good practice guidelines or guidance or other industry practices relating to auctions or agency sales are hereby disappplied and disclaimed. All and any rights of any Person bound by these Auction Terms which may arise as a result of a liability of ICE Clear Credit pursuant to common law or statutory duties applicable to auctioneers or selling agents are hereby expressly waived by all Auction Participants to the fullest extent permitted by law. ICE Clear Credit expressly disclaims any duty of care or skill in respect of the conduct of any Auction by ICE Clear Credit arising other than expressly pursuant to these Auction Terms. ICE Clear Credit will not provide and has not provided any valuation services in connection with any Auction.
- 7.5 The time and date at which bids are due, the time and date for the establishment of Contracts or calling of Margin or the Bidding Close Time (subject to paragraph 3.7) may be delayed beyond the times and dates set forth in these Auction Terms or specified in the Auction Specifications if ICE Clear Credit, in its discretion,

in consultation with the CDS Default Committee, considers this to be necessary or appropriate. Notwithstanding anything to the contrary in these Auction Terms, to the fullest extent lawfully permissible, ICE Clear Credit may postpone, cancel, adjourn or terminate an Auction at any time, and may withdraw all or any portion of the Contracts from any Auction Lot, in consultation with the CDS Default Committee.

- 7.6 In respect of any Auction, each Auction Participant: (i) agrees and acknowledges that it has received any notices required to be provided to it under applicable law; (ii) agrees and acknowledges that it has received sufficient information concerning the identity of the persons conducting the auction on behalf of ICE Clear Credit; and (iii) waives any right to make any claim that it has not received any information or documentation of a nature referred to in this paragraph 7.6 and agrees in favor of ICE Clear Credit not to make any statement to the contrary to any third party.
- 7.7 Without limiting the obligations of Participants and Customers under the Rules, all Auction Participants shall comply with applicable law (including, without limitation, complying with their obligation not to commit any act of fraud or to engage in any behavior which amounts to market abuse, insider dealing, market manipulation or money laundering).
- 7.8 It is the responsibility of each Winning Bidder to make any transaction or other reports or notifications to any regulatory authority or government authority (including, without limitation, any transaction reports) that it is required to make pursuant to applicable law.

Revision History

Date	Version	Revisions
January 6, 2017	1.0	<ul style="list-style-type: none">Initial version
December 27, 2019	1.1	<ul style="list-style-type: none">Added All or Nothing BidsIncluded reference to ICE Default Management System (“DMS”)
<u>XX</u> , <u>XX</u> , <u>XXXX</u>	<u>XX</u>	<ul style="list-style-type: none"><u>Modified Minimum Bid Requirement</u><u>Modified Auction Specifications</u>