

Clearing Appendix 9

Default Fund Rules

Issued by Nasdaq Clearing AB

DEFAULT FUND RULES

1 APPLICATION

- 1.1 These Default Fund Rules set forth the terms and conditions governing the relation between the Clearinghouse and Default Fund Participants, and between Default Fund Participants, in connection with the Default Fund.
- 1.2 The Default Fund Rules are supplemented by the Default Fund Custody Account Agreement, which each Default Fund Participant must enter into separately. If any provision of these Default Fund Rules is inconsistent with a provision of the Default Fund Custody Account Agreement, the latter shall prevail.

2 INTERPRETATION

- 2.1 References to the Clearinghouse shall, where the context so requires, include its nominees, agents or sub custodians appointed by the Clearinghouse on its behalf in accordance with the Default Fund Rules or the Default Fund Custody Account Agreement.
- 2.2 Capitalized terms herein shall have the meanings assigned to them below and in the Clearing Rules.

Business Day	means a day (other than a Saturday or Sunday) on which commercial banks in Sweden are generally open for business.
Clearing Participant	means any and all "Account Holders" under these Clearing Rules and any and all "Clearing Members", "Direct Pledging Customers" and "Direct Clearing Clients" under the FIN Clearing Rules.
Clearing Service	means each part of the Default Fund relating to the services that the Clearinghouse provides constituting the Financial Default Fund, Commodity Default Fund and Seafood Default Fund.
Close-Out Balance	means the amount that the aggregate cost of closing out (including set-off) a Relevant Participant's Contracts deviates (positive or negative) from the Margin Requirement applicable to the Relevant Participant.
COM Cover 2 Funds	means the sum of the Junior Capital, Senior Capital, Commodity Default Fund and Mutual Default Fund which at all times shall enable the Clearinghouse to withstand the default of at least the two Clearing Participants to which it has the largest exposures under extreme but plausible market conditions (as determined by the Clearinghouse).
Commodity Default Fund	means the part of the Default Fund relating to Commodity Instruments to be applied upon a Relevant Participant's default in accordance with Sections 7.1 or 7.3, as applicable, to cover Default Losses allocated to Commodity Instruments.
Commodity Instruments	means Instruments, whether physically or cash settled, whose value is derived from the value of one or more commodities (including freight rates, emission allowances and green certificates) or commodity-based indices, and that are not exchange-traded funds, however not including Seafood Instruments.
Commodity Market Proportion	means the aggregate Fund Requirements for the Commodity Default Fund divided by the sum of the aggregate Fund Requirements for the Commodity Default Fund, the Financial Default Fund and the Seafood Default Fund.
Contributed Assets	means all funds and assets contributed by a Default Fund Participant to the Default Fund, whether in the form of cash

	amounts or securities or otherwise and whether or not Eligible Funds.
Contribution Day	means each of 1 March, 1 June, 1 September and 1 December in any year or, if any such day is not a Business Day, the next succeeding Business Day.
Cover 2 Funds	means the combined amount of Junior Capital, Senior Capital, Mutual Default Fund and Financial Default Fund, Commodity Default Fund or the Seafood Default Fund, where applicable, which at all times shall enable the Clearinghouse to withstand the default of at least the two Clearing Participants to which it has the largest exposures under extreme but plausible market conditions (as determined by the Clearinghouse).
Custody Account	has the meaning ascribed to it in the Default Fund Custody Account Agreement (as applicable in relation to each Default Fund Participant).
Default Fund	means the sum of the Contributed Assets to the Commodity Default Fund, the Financial Default Fund, the Seafood Default Fund and the Mutual Default Fund at any time, excluding any funds and assets that have been released by the Clearinghouse pursuant to the Default Fund Rules (whether through a lower Fund Requirement or through Default Fund Exit, and whether or not actually returned to the relevant Default Fund Participant at the relevant time).
Default Fund Custody Account Agreement	means, in respect of a Default Fund Participant, an agreement between the Clearinghouse and such Default Fund Participant stipulating terms for a Custody Account to be opened by such Default Fund Participant with the Clearinghouse.
Default Fund Exempt Participant	The Clearinghouse may on a case-by-case basis and from time to time decide that a person that is otherwise a Default Fund Participant shall be classified as a Default Fund Exempt Participant, provided that such person (i) provides the Clearinghouse with a drawing facility which provides the Clearinghouse direct drawing rights on a central bank and (ii) such central bank is owned by a government which has a AAA or AA+/Aa1 credit rating with all leading international credit rating agencies. A Default Fund Exempt Participant is not subject to Fund Requirements.
Default Fund Exit	means a situation where a Default Fund Participant gives written notice to the Clearinghouse, and the Clearinghouse confirms in writing, that the Default Fund Participant (i) has effectively terminated its clearing membership agreement with the Clearinghouse and (ii) has no remaining obligations towards the Clearinghouse related to such membership other than obligations pursuant to the Default Fund Rules and, if applicable, pending future settlements which are not yet due at the time, but which are fixed and secured through adequate collateral arrangements in favour of the Clearinghouse.
Default Fund Participant	means any and all "Clearing Members" and "Direct Pledging Customers" under the Non-Commodity Clearing Rules and any and all "Account Holders" under the Clearing Rules, except those who are Default Fund Sponsored Participants or Default Fund Exempt Participants. A Default Fund Participant is subject to a direct Fund Requirement.
Default Fund Requirements	means a document describing the model for calculation of Fund Requirements, included as a schedule to these Default Fund

Rules.

Default Fund Sponsored Participant	means any and all “Indirect Pledging Customers” under the Non-Commodity Clearing Rules. In addition any “Direct Pledging Customer” under the Non-Commodity Clearing Rules and any “Clearing Client” under the Clearing Rules that another Default Fund Participant has agreed to represent as its Default Fund Sponsored Participant, as approved in each case by the Clearinghouse in accordance with Section 12.1. A Default Fund Sponsored Participant is not subject to Fund Requirements but its associated Default Fund Participant (in respect of an “Indirect Pledging Customer”, its Clearing Account Administrator) shall contribute to the Default Fund for exposures in respect of the Default Fund Sponsored Participants.
Default Loss	means the deficit that remains after any coverage available to the Clearinghouse has been applied in relation to the Relevant Participant’s obligations, disregarding any contributions to the Default Fund by the Relevant Participant.
Excess Loss	means any remaining Default Loss allocated to Commodity Instruments, Financial Instruments or Seafood Instruments, as applicable, exceeding the funds under Sections 7.1 – 7.5.
FIN Cover 2 Funds	means the sum of the Junior Capital, Senior Capital, Financial Default Fund and Mutual Default Fund which at all times shall enable the Clearinghouse to withstand the default of at least the two Clearing Participants to which it has the largest exposures under extreme but plausible market conditions (as determined by the Clearinghouse).
Financial Default Fund	means the part of the Default Fund relating to Financial Instruments to be applied upon a Relevant Participant’s default in accordance with Sections 7.1 or 7.3, as applicable, to cover Default Losses allocated to Financial Instruments.
Financial Instruments	means Instruments other than Commodity Instruments and Seafood Instruments.
Financial Market Proportion	means the aggregate Fund Requirements for the Financial Default Fund divided by the sum of the aggregate Fund Requirements for the Commodity Default Fund, the Financial Default Fund and the Seafood Default Fund.
Fund Requirement	means the requirement for the contribution to the Default Fund calculated by the Clearinghouse and notified to the Default Fund Participants in accordance with Sections 5.1 – 5.2. A Fund Requirement shall be deemed valid and effective from the time of its issue in accordance with these Default Fund Rules and until replaced by a new Fund Requirement, or until the relevant Contributed Assets are released by the Clearinghouse on Default Fund Exit.
Interim Period	means a period comprising ninety (90) calendar days following a Relevant Participant’s default which causes a Default Loss. For the avoidance of doubt, there may at any time be several Interim Periods running either sequentially or in parallel and references to an Interim Period shall in each case be to the Interim Period to which the applicable Default Loss relates.
Junior Capital	means an amount funded by the Clearinghouse’s own assets in accordance with Section 3.6.
Market Default Fund	means the Commodity Default Fund, the Financial Default Fund or the Seafood Default Fund, as applicable.

Market Proportion	means the Commodity Market Proportion, the Financial Market Proportion or the Seafood Market Proportion, as applicable.
Minimum Fund Requirement	means the minimum Fund Requirement applicable to each Default Fund Participant, as further set out in Section 5.3.
Mutual Default Fund	means the part of the Default Fund to be applied upon a Relevant Participant’s default, to cover Default Losses allocated to Commodity Instruments and/or Financial Instruments and/or Seafood Instruments in accordance with Sections 7.1 or 7.5, as applicable.
Non-Commodity Clearing Rules	means the terms and conditions for clearing of Instruments issued by Nasdaq Clearing AB, other than these Clearing Rules, as may be amended from time to time. A specification of the applicable Non-Commodity Clearing Rules is available from the Clearinghouse.
Realised Collateral Balance	means the actual deficit or surplus value of the collateral provided by a Relevant Participant following recourse and realisation of the collateral by the Clearinghouse in relation to the Margin Requirement applicable to the Relevant Participant.
Relevant Participant	means any defaulting Default Fund Participant, Default Fund Sponsored Participant or Default Fund Exempt Participant.
Seafood Cover 2 Funds	The sum of the Junior Capital, Senior Capital, Seafood Default Fund and Mutual Default Fund which at all times shall enable the Clearinghouse to withstand the default of at least the two Clearing Participants to which it has the largest exposures under extreme but plausible market conditions (as determined by the Clearinghouse).
Seafood Default Fund	means the part of the Default Fund relating to Seafood Instruments to be applied upon a Relevant Participant’s default in accordance with Sections 7.1 or 7.3, as applicable, to cover Default Losses allocated to Seafood Instruments.
Seafood Instruments	means instruments whose value is derived from the value of one or more seafood products (including Fresh HOG (head on gutted) Superior Atlantic Salmon 3-6kg).
Seafood Market Proportion	means the aggregate Fund Requirements for the Seafood Default Fund divided by the sum of the aggregate Fund Requirements for the Commodity Default Fund, the Financial Default Fund and the Seafood Default Fund.
Senior Capital	means capital funded by the Clearinghouse through own assets or other arrangements as further set out in Section 3.6.
Website	means http://www.nasdaqomx.com/euroclearing/ or such other website as designated by the Clearinghouse from time to time.

3 COMPOSITION AND STRUCTURE OF THE DEFAULT FUND

- 3.1 The Clearinghouse maintains the Default Fund and other resources to cover Default Losses.
- 3.2 The Fund Requirements shall be satisfied through each Default Fund Participant providing Eligible Funds to cover any Default Losses in respect of Relevant Participants (including itself) in accordance with the Default Fund Rules. Each Default Fund Participant will contribute to the Default Fund in respect of any Default Fund Sponsored Participants

associated to it, through its Fund Requirement being increased corresponding to the Fund Requirement of such Default Fund Sponsored Participants.

- 3.3 A description of the relevant model and calculation method for the size of the Financial Default Fund, the Commodity Default Fund, the Seafood Default Fund and the Junior Capital (as allocated in accordance with section 3.6) is available on the Clearinghouse's Website. Information about the size, from time to time, of the Commodity Default Fund, the Financial Default Fund, the Seafood Default Fund, the Junior Capital, the Senior Capital, and the Mutual Default Fund shall be made available by the Clearinghouse in connection with the notifications under Section 5.1.
- 3.4 The size of the Financial Default Fund shall be calculated by the Clearinghouse and increased to an amount that enables the Clearinghouse to withstand, under extreme but plausible market conditions (as determined by the Clearinghouse), Default Losses corresponding to the greater of (a) either the largest Clearing Participant, or of the second and third largest Clearing Participants combined if the sum of their combined exposures is larger; and (b) the combined exposure of the largest and the second largest Clearing Participants which at all times shall be less than the FIN Cover 2 Funds. However, the Clearinghouse has the right to calculate and add a buffer to the Financial Default Fund equivalent to a maximum of 20 (twenty) per cent of the FIN Cover 2 Funds. The size of the Financial Default Fund shall not be less than SEK 50,000,000 (fifty million). The base currency of the Financial Default Fund is SEK.
- 3.5 The size of the Commodity Default Fund shall be calculated by the Clearinghouse and increased to an amount that enables the Clearinghouse to withstand, under extreme but plausible market conditions (as determined by the Clearinghouse), Default Losses corresponding to the greater of (a) either the largest Clearing Participant, or of the second and third largest Clearing Participants combined if the sum of their combined exposures is larger; and (b) the combined exposure of the largest and the second largest Clearing Participants which at all times shall be less than the COM Cover 2 Funds. However, the Clearinghouse has the right to calculate and add a buffer to the Commodity Default Fund equivalent to a maximum of 20 (twenty) per cent of the COM Cover 2 Funds. The size of the Commodity Default Fund shall not be less than EUR 5,000,000 (five million). The base currency of the Commodity Default Fund is EUR.
- 3.6 The size of the Seafood Default Fund shall be calculated by the Clearinghouse and increased to an amount that enables the Clearinghouse to withstand, under extreme but plausible market conditions (as determined by the Clearinghouse), Default Losses corresponding to the greater of either (a) the largest Clearing Participant, or of the second and third largest Clearing Participants combined if the sum of their combined exposures is larger; and (b) the combined exposure of the largest and the second largest Clearing Participants which at all time shall be less than the Seafood Cover 2 Fund. However, the Clearinghouse has the right to calculate and add a buffer to the Seafood Default Fund equivalent to a maximum of 20 (twenty) per cent of the Seafood Cover 2 Funds. The size of the Seafood Default Fund shall not be less than NOK 10 million (ten million). The base currency of the Commodity Default Fund is NOK.
- 3.7 Notwithstanding anything to the contrary in 3.4, 3.5 or 3.6, when there is a shortfall in respect of Cover 2 Funds due to fact that the Clearinghouse has large exposures to the same Clearing Participant(s) in more than one Clearing Service, the Clearinghouse shall increase the size of the relevant Market Default Fund pro-rata to cover for such shortfall.
- 3.8 The size of the Junior Capital, and the allocation of the Junior Capital to cover Default Losses allocated to Commodity Instruments, Financial Instruments or Seafood Instruments, respectively, shall be determined so as to meet, as a minimum, applicable legal and regulatory requirements regarding dedicated own resources from time to time. The size of the Senior Capital, shall be set at SEK 200,000,000 (two hundred million).¹

¹ The size of the Senior Capital will be maintained at 300 MSEK during the period 2017-11-20 - 2017-12-01, i.e. between the updated Default Fund Rules take effect and until the first Contribution Day under the amended Default Fund Rules.

- 3.9 The Fund Requirement to the Mutual Default Fund in respect of each Default Fund Participant equals fifteen per cent (15 %) of its Fund Requirement in respect of the aggregate of the Commodity Default Fund, the Financial Default Fund and the Seafood Default Fund.

4 DEFAULT FUND CONTRIBUTIONS

- 4.1 Before participating in and being eligible for clearing, or representing Default Fund Sponsored Participants, a Default Fund Participant shall open a Custody Account and enter into a Default Fund Custody Account Agreement, and contribute the Minimum Fund Requirement or the higher amount notified by the Clearinghouse in its discretion to the Default Fund for the respective market it will participate in.
- 4.2 Default Fund Participants shall meet the most recently notified Fund Requirement not later than 10:30 a.m. (CET) on each Contribution Day as per Section 5.1 in respect of ordinary Fund Requirement notifications, or 10:30 a.m. (CET) on the relevant Business Day as per Section 5.2 in respect of additional Fund Requirement notifications.
- 4.3 All contributions to the Default Fund by Default Fund Participants shall be made in the form of Eligible Funds. Contributed Assets shall be deposited, registered, held and disposed of in accordance with the Default Fund Custody Account Agreement and the Collateral List. Each Default Fund Participant shall ensure that it complies with the Default Fund Custody Account Agreement at all times.
- 4.4 The Clearinghouse maintains the Collateral List. In case of changes to the Collateral List with respect to Eligible Funds each Default Fund Participant must ensure that all Contributed Assets are compliant with the updated Collateral List no later than such list becoming effective. Release of Contributed Assets, following the contribution of replacement assets in accordance with Section 4.3, is subject to Section 4.7.
- 4.5 It is each Default Fund Participant's responsibility to ensure that the Contributed Assets at all times are in Eligible Funds that meet the applicable Fund Requirement. Notwithstanding the foregoing obligation, if the value of the Contributed Assets, when valued in accordance with the Collateral List, at any time becomes lower than the applicable Fund Requirement, the relevant Default Fund Participant shall within one (1) Business Day following written demand from the Clearinghouse contribute the deficit amount in accordance with Section 4.3.
- 4.6 A Default Fund Participant may, subject to the prior consent of the Clearinghouse, given in its discretion, replace its Contributed Assets with other Eligible Funds at any time, subject to the Default Fund Participant complying with its applicable Fund Requirement at all times. Release of Contributed Assets, following the contribution of replacement assets in accordance with Section 4.3, is subject to Section 4.7.
- 4.7 Contributed Assets may be released to Default Fund Participants, upon request to the Clearinghouse, to the extent the value of such Contributed Assets, when valued in accordance with the Collateral List, exceed the applicable Fund Requirement, and subject to the prior consent of the Clearinghouse, given in its discretion. A request by a Default Fund Participant to the Clearinghouse for release of excess contributions to the Default Fund made before 10:30 a.m. (CET) on a Business Day will be processed and approved or rejected by the Clearinghouse during the same Business Day. If approved, the release will be effectuated within one (1) Business Days from the time of the approval. If rejected, the Clearinghouse will inform the Default Fund Participant of the grounds for rejection.
- 4.8 The Clearinghouse is entitled to use any Contributed Assets and the guarantee commitment under Section 8.1 to cover Default Losses until the Contributed Assets and guarantee commitment have been or should have been released by the Clearinghouse in accordance with these Default Fund Rules.

5 CALCULATION AND NOTIFICATION OF FUND REQUIREMENTS

- 5.1 Fund Requirements shall be calculated in accordance with the model set out from time to time in the Default Fund Requirements. The Clearinghouse calculates and notifies the Default Fund Participant of the applicable Fund Requirement (including in respect of its Default Fund Sponsored Participants as applicable) not less than five (5) Business Days prior to each Contribution Day.
- 5.2 In addition to the provisions of Section 5.1, the Clearinghouse may, by applying the model for calculation of Fund Requirements described in the Default Fund Requirements, carry out additional calculations of Fund Requirements at any time between two Contribution Days in respect of one or more Default Fund Participants (including their Default Fund Sponsored Participants as applicable). In such cases the Clearinghouse shall notify Default Fund Participants promptly after a decision to carry out an additional calculation has been made and will furthermore notify affected Default Fund Participants of the new Fund Requirement. Contribution of Eligible Funds meeting the new Fund Requirements shall be made not later than five (5) Business Days after the Clearinghouse has notified each affected Default Fund Participant of its new Fund Requirement. Following a request by a Default Fund Participant, the Clearinghouse will provide the basis for the new calculation.
- 5.3 Notwithstanding Sections 5.1 and 5.2, the Minimum Fund Requirement per Default Fund Participant is as follows and must always be fulfilled (see also Section 4.1):
 - a. For a Default Fund Participant that is only clearing Financial Instruments the Minimum Fund Requirement is SEK 300,000 (three hundred thousand).
 - b. For a Default Fund Participant that is only clearing Commodity Instruments the Minimum Fund Requirement is EUR 30,000 (thirty thousand).
 - c. For a Default Fund Participant that is only clearing Seafood Instruments the Minimum Fund Requirement is (a) NOK 250,000 (two hundred and fifty thousand) for "Direct Pledging Customers" under the Non-Commodity Clearing Rules and "Direct Clearing Clients" under the Clearing Rules or (b) NOK 250,000 (two hundred and fifty thousand) for all other Default Fund Participants.
 - d. For a Default Fund Participant that is clearing instruments pertaining to more than one of the categories Financial Instruments, Commodity Instruments and Seafood Instruments, the Minimum Fund Requirement is the aggregate Minimum Fund Requirement of the applicable sums under (a) through (c) above.
- 5.4 Where a Default Fund Participant has multiple memberships under the Clearing Rules that each are subject to a Fund Requirement in respect of Commodity Instruments under section 5.3 b or in respect of Seafood Instruments under section 5.3 c, that Default Fund Participant will be subject to one single Fund Requirement in respect of all such Commodity Instruments or all such Seafood Instruments, respectively, for all such memberships and the Contributed Assets from that Default Fund Participant in respect of such single Fund Requirement shall be available to the Clearinghouse for any and all defaults by such Default Fund Participant under any of the memberships. A single Fund Requirement pursuant to this section will be calculated by aggregating the Fund Requirement for each applicable membership and any Minimum Fund Requirement shall apply to such aggregate Fund Requirement.

6 ALLOCATION OF DEFAULT LOSS BETWEEN COMMODITY INSTRUMENTS AND SEAFOOD INSTRUMENTS

- 6.1 Where a Relevant Participant is clearing only Commodity Instruments or Seafood Instruments under these Clearing Rules, then any Default Loss shall, for the purpose of Sections 7, 8.1 and 8.2, be allocated to Commodity Instruments or Seafood Instruments accordingly.
- 6.2 Where a Relevant Participant is clearing instruments pertaining to more than one of the categories Commodity Instruments and Seafood Instruments under these Clearing Rules, then any Default Loss shall, for the purpose of Sections 7, 8.1 and 8.2, be allocated to:

- a. Commodity Instruments with an amount equal to the sum of (i) the Realised Collateral Balance multiplied with the proportion of the Relevant Participant's Margin Requirement for Commodity Instruments relative to the sum of the Relevant Participant's Margin Requirement for Commodity Instruments and Seafood Instruments, and (ii) the Close-Out Balance for the Commodity Instruments; and
- b. Seafood Instruments with an amount equal to the sum of (a) the Realised Collateral Balance multiplied with the proportion of the Relevant Participant's Margin Requirement for Seafood Instruments relative to the Relevant Participant's Margin Requirement for Commodity Instruments and Seafood Instruments, and (b) the Close-Out Balance for the Seafood Instruments.

7 REALISATION OF THE DEFAULT FUND AND APPLICATION OF OTHER RESOURCES

In the event of one or several Default Losses, the Default Fund and the Junior Capital and the Senior Capital shall be available to cover such Default Losses in the order of priority stipulated in this Section:

7.1 First,

- a. in case of a default by a Default Fund Participant, all its Contributed Assets (whether or not in excess of the Fund Requirement and whether or not pending release from the Clearinghouse at the relevant time); or
- b. in case of a default by a Default Fund Sponsored Participant, all Contributed Assets from its associated defaulting Default Fund Participant in respect of the Default Fund Sponsored Participant;

provided that the value of the available Contributed Assets under subsection (b) above shall not be less than the Minimum Fund Requirement. When determining the Minimum Fund Requirement for a Default Fund Sponsored Participant under this Section 7.1, the relevant entity or person shall be considered a separate Default Fund Participant that is a Direct Pledging Customer.

7.2 Second, the Junior Capital to cover any remaining Default Losses, provided that Junior Capital allocated in accordance with section 3.6 to cover Default Losses allocated to Commodity Instruments, Financial Instruments or Seafood Instruments, shall only be applied to cover such Default Losses.

If the default occurs during an Interim Period, any Junior Capital (as allocated in accordance with section 3.6) already realised or to be realised to cover Default Losses in respect of previously occurred default(s) shall reduce the size of the Junior Capital (as allocated in accordance with section 3.6) with an amount equal to the amount realised or to be realised in previously occurred defaults when applying this Section 7.2.

7.3 Third, the contributions by each non-defaulting Default Fund Participant to (a) the Commodity Default Fund shall be applied on a pro rata basis relative to the aggregate contributions made by all non-defaulting Default Fund Participants to the Commodity Default Fund, to cover any remaining Default Loss allocated to Commodity Instruments, and/or (b) the Financial Default Fund shall be applied on a pro rata basis relative to the aggregate contributions made by all non-defaulting Default Fund Participants to the Financial Default Fund to cover any remaining Default Loss allocated to Financial Instruments, and/or (c) the Seafood Default Fund shall be applied on a pro rata basis relative to the aggregate contributions made by all non-defaulting Default Fund Participants to the Seafood Default Fund to cover any remaining Default Loss allocated to Seafood Instruments.

If the default occurs during an Interim Period, any contributions to the Commodity Default Fund and/or Financial Default Fund and/or the Seafood Default Fund already realised or to be realised to cover Default Losses in respect of previously occurred default(s) shall reduce the size of the Commodity Default Fund and/or Financial Default Fund and/or the Seafood Default Fund, as applicable, by an amount equal to the amount realised or to be realised in previously occurred defaults when applying this Section 7.3.

7.4 Fourth, the Senior Capital shall be applied to cover any remaining Default Losses, provided that if Default Losses have occurred in respect of instruments pertaining to more than one of the categories Financial Instruments, Commodity Instruments and Seafood Instruments, the following shall apply:

- a. first, the Commodity Market Proportion multiplied by the Senior Capital shall be applied to cover any Default Losses allocated to Commodity Instruments and the Financial Market Proportion multiplied by the Senior Capital shall be applied to cover any Default Losses allocated to Financial Instruments and the Seafood Market Proportion multiplied by the Senior Capital shall be applied to cover any Default Losses allocated to Seafood Instruments; and
- b. second, to the extent any remaining Default Losses have not been covered under (a), any remaining Senior Capital shall be applied to cover any Default Losses allocated to Commodity Instruments or Financial Instruments or Seafood Instruments; if necessary by applying (a) *mutatis mutandis* until such remaining Senior Capital is exhausted, whereby the Fund Requirements for the Market Default Fund in respect of which Default Losses have been fully covered under (a) shall be excluded for the purposes of determining the applicable Market Proportion.

If the default occurs during an Interim Period, any Senior Capital already realised or to be realised to cover Default Losses in respect of previously occurred default(s) shall reduce the size of the Senior Capital with an amount equal to the amount realised or to be realised in previously occurred defaults when applying this Section 7.4.

If more than one Relevant Participant defaults during the same day, and such defaults involve Default Losses in respect of instruments pertaining to more than one of the categories Financial Instruments, Commodity Instruments and Seafood Instruments, the Senior Capital will be allocated between such defaults as if they had occurred simultaneously.

7.5 Fifth, contributions made by each non-defaulting Default Fund Participant to the Mutual Default Fund shall be applied on a pro rata basis relative to the aggregate contributions made by all non-defaulting Default Fund Participants, to cover any remaining Default Losses, provided that if Default Losses have occurred in respect of instruments pertaining to more than one of the categories Financial Instruments, Commodity Instruments and Seafood Instruments, the following shall apply:

- a. first, the Commodity Market Proportion multiplied by the Mutual Default Fund shall be applied to cover any Default Losses allocated to Commodity Instruments and the Financial Market Proportion multiplied by the Mutual Default Fund shall be applied to cover any Default Losses allocated to Financial Instruments and the Seafood Market Proportion multiplied by the Mutual Default Fund shall be applied to cover any Default Losses allocated to Seafood Instruments; and
- b. second, to the extent any remaining Default Losses have not been covered under (a), any remaining contributions to the Mutual Default Fund shall be applied to cover any Default Losses allocated to Commodity Instruments or Financial Instruments or Seafood Instruments; if necessary by applying (a) *mutatis mutandis* until such remaining Mutual Default Fund is exhausted, whereby the Fund Requirements for the Market Default Fund in respect of which Default Losses have been fully covered under (a) shall be excluded for the purposes of determining the applicable Market Proportion.

If the default occurs during an Interim Period, any contributions to the Mutual Default Fund already realised or to be realised to cover Default Losses in respect of previously occurred default(s) shall reduce the size of the Mutual Default Fund with an amount equal to the amount realised or to be realised in previously occurred defaults when applying this Section 7.5.

7.6 Sixth, the guarantee commitment given by each Default Fund Participant in respect of Excess Losses under Section 8.1 shall be used to cover any remaining Default Losses.

7.7 Seventh, to the extent any remaining Default Losses have arisen in connection with a default under an Interim Period, any capital replenished in accordance with Sections 9.1

and 9.3, shall be applied to cover such Default Losses in the order that *mutatis mutandis* follows from Sections 7.2 - 7.5 to cover any remaining Losses.

- 7.8 The Clearinghouse shall be entitled to realise the contributions available under Sections 7.1, 7.3, 7.5 and 7.7 above, without making a demand on the Default Fund Participants, by application of Contributed Assets. Default Fund Participants will be notified of such realisations through their receipt of a replenishment request in accordance with Section 9.1.

8 GUARANTEE COMMITMENT

- 8.1 In the event of any Excess Loss allocated to Commodity Instruments and/or Financial Instruments and/or Seafood Instruments (respectively), each Default Fund Participant which has made contributions to the Commodity Default Fund and/or the Financial Default Fund and/or Seafood Default Fund (as applicable) undertakes to, without exception or objection and subject only to Section 8.4, upon receipt of the first written request from the Clearinghouse, within two (2) Business Days (excluding the day of demand) pay to the Clearinghouse a cash amount, into a bank account designated by the Clearinghouse, corresponding to its pro rata share of such Excess Losses (as calculated by the Clearinghouse in accordance with Section 8.2) in relation to the Commodity Default Fund and/or the Financial Default Fund and/or Seafood Default Fund (as applicable).
- 8.2 A Default Fund Participant's pro rata share of Excess Losses pursuant to Section 8.1 shall be calculated as the proportion of such Default Fund Participant's most recent notified Fund Requirement in respect of the Commodity Default Fund and/or the Financial Default Fund and/or Seafood Default Fund (as applicable) (not including, if applicable, such part of the Fund Requirement which pertains to a defaulted Default Fund Sponsored Participant of such Default Fund Participant) relative to the sum of the most recent notified Fund Requirements for all Default Fund Participants in respect of the Commodity Default Fund and/or the Financial Default Fund and/or Seafood Default Fund (as applicable) (not including, if applicable, such part of any Fund Requirement which pertains to a defaulted Default Fund Sponsored Participant), subject in all cases to Section 8.4.
- 8.3 *[Intentionally left blank].*
- 8.4 The guarantee commitments under Section 8.1 shall be limited as follows:
- a. It shall not exceed one hundred percent (100%) of the most recent notified Fund Requirement in respect of the Commodity Default Fund and/or the Financial Default Fund and/or Seafood Default Fund, respectively, as applicable to the relevant Default Fund Participant at the time of the first Excess Loss which invokes the guarantee commitment hereunder (not including, if applicable, such part of the Fund Requirement which pertains to a defaulted Default Fund Sponsored Participant of such Default Fund Participant); and
 - b. It shall be reduced and limited by an amount equivalent to such amount that the Default Fund Participant has replenished in accordance with Section 9.1 (as applicable) for any Interim Period.

9 REPLENISHMENT AND REDISTRIBUTION

- 9.1 Any realised Default Fund contributions shall be replenished by new contributions in Eligible Funds by each non-defaulting Default Fund Participant so that the Fund Requirement (not including, if applicable, such part of the Fund Requirement which pertains to a defaulted Default Fund Sponsored Participant of such Default Fund Participant) is fulfilled within two (2) Business Days following a replenishment request, which may be notified by the Clearinghouse from the day of any realisation of a Default Fund Participant's contributions to the Default Fund. During an Interim Period (as applicable to each Default Loss), replenished funds may only be applied in relation to Default Losses under Section 7.7. Following the applicable Interim Period, the replenished funds will be moved to their original priority level under Sections 7.1, 7.3 and 7.5, as applicable.

- 9.2 A Default Fund Participant's obligations to replenish funds in accordance with Section 9.1 shall terminate:
- a. on the date any amount is utilised under the guarantee commitment in Section 8.1; or
 - b. on the date of the Default Fund Exit, provided that the Default Fund Exit occurs before the Clearinghouse has notified the Default Fund Participant of a replenishment request under Section 9.1.
- 9.3 Any realised Junior Capital and Senior Capital contributed by the Clearinghouse shall be replenished by the Clearinghouse within two (2) Business Days from such realisation. During any Interim Period (as applicable to each Default Loss), replenished funds may only be applied in relation to Default Losses under Section 7.7. Following the applicable Interim Period, the replenished funds will be moved to their original priority level under Sections 7.2 and 7.4, as applicable.
- 9.4 In the event that the Clearinghouse, following a Default Loss which has yielded contributions by Default Fund Participants and the Clearinghouse pursuant to Section 7 above, is able to recover any Default Loss (or parts thereof) from the defaulting Relevant Participant, the Clearinghouse shall redistribute such recovered amounts to the Default Fund Participants who contributed to the applicable Default Loss, including the Clearinghouse itself (to the extent it contributed to the Default Loss through the Senior Capital, the Junior Capital or otherwise).
- 9.5 Redistribution of recovered amounts pursuant to Section 9.4 shall take place by applying Section 7 level by level in reverse order, starting from the level of priority which was last triggered in relation to the applicable Default Loss and ending where and when the recovered amount has been fully redistributed. On each level of priority to which redistribution is applicable, each Default Fund Participant shall be entitled to a *pro rata* reimbursement of its actual contribution of Contributed Assets to the applicable Default Loss, as valued on the day on which such Contributed Assets were applied to the Default Loss. For the avoidance of doubt, any additional and subsequent amounts recovered in respect of the same Default Loss shall be redistributed on the same basis, starting from where redistribution was previously cut off in relation to that Default Loss.
- 9.6 A Default Fund Participant's right to redistribution in accordance with Sections 9.4 and 9.5 is conditional that the Clearinghouse has not assigned its corresponding claim to the Default Fund Participant pursuant to Section 10.1. In cases where the claim has been assigned to a Default Fund Participant pursuant to Section 10.1, such Default Fund Participant shall be deemed to have waived its right to any amounts recovered pursuant to Section 9.4.

10 ASSIGNMENT OF CLAIMS

- 10.1 Should any contributions to the Default Fund be realised under Section 7 and/or any funds be paid by a Default Fund Participant under the guarantee commitment under Section 8.1, the Clearinghouse will upon a written request from a Default Fund Participant, who has suffered damage, without undue delay assign to the Default Fund Participant such claims that the Default Fund Participant may have against a Relevant Participant *pro rata* to that Default Fund Participant's share of the amount covered by the Default Fund or through the guarantee commitment.

11 DEFAULT FUND EXIT

- 11.1 Following a Default Fund Exit, the Clearinghouse shall, subject to Sections 4.8 and 11.2, release the Default Fund Participant's Contributed Assets and the guarantee commitment on the first Contribution Day following the Default Fund Exit. However, if the Default Fund Exit occurs less than ten (10) Business Days prior to the date the Clearinghouse is to notify the next Fund Requirements in accordance with Section 5.1 in respect of such first Contribution Day, the Contributed Assets and the guarantee commitment will be released on the next Contribution Day following such first Contribution Day.
- 11.2 If the Default Fund Exit occurs during an Interim Period, the release of the Default Fund Participant's remaining Contributed Assets and the guarantee commitment shall be

effected on the first Contribution Day that occurs following expiration of the Interim Period. However, if the Default Fund Exit occurs less than ten (10) Business Days prior to the date the Clearinghouse is to notify the next Fund Requirements in accordance with Section 5.1 in respect of such first Contribution Day, the Contributed Assets and the guarantee commitment will be released on the next Contribution Day following such first Contribution Day.

12 DEFAULT FUND SPONSORED PARTICIPANTS THAT ARE "DIRECT PLEDGING CUSTOMERS"

- 12.1 The Clearinghouse may approve in its sole discretion that a "Direct Pledging Customer" under the Non-Commodity Clearing Rules shall be considered a Default Fund Sponsored Participant. A Default Fund Participant that has agreed to represent such "Direct Pledging Customer" as its Default Fund Sponsored Participant shall submit a written confirmation to that effect to the Clearinghouse, in the form required by the Clearinghouse from time to time.

A "Direct Pledging Customer" will be released from its obligations as a Default Fund Participant and considered a Default Fund Sponsored Participant once the Clearinghouse has given its approval and confirmed that the Default Fund Participant has contributed the applicable Fund Requirement in relation to the Direct Pledging Customer as notified by the Clearinghouse.

- 12.2 A Default Fund Participant that represents a "Direct Pledging Customer" as its Default Fund Sponsored Participant shall, in respect of such Default Fund Sponsored Participant, always contribute at least the Minimum Fund Requirement that would have been applicable to such Default Fund Sponsored Participant if it were a Default Fund Participant.

- 12.3 A Default Fund Participant may request to terminate its obligations under these Default Fund Rules in relation to a Default Fund Sponsored Participant that is a "Direct Pledging Customer" by giving written notice to the Clearinghouse. The Default Fund Participant shall send a copy of the notice to the relevant Default Fund Sponsored Participant. The obligations will be terminated 20 Business Days following the Clearinghouse's written confirmation (not including the day of confirmation) that it is in receipt of the notice, such confirmation not to be unreasonably withheld, or such earlier day as decided by the Clearinghouse in its discretion. If notice is given during an Interim Period or an Interim Period is triggered before the expiry of the 20 Business Day period, the Clearinghouse may decide that the Default Fund Participant's obligations shall instead terminate at a later Business Day, however no later than the Business Day following the expiry of the Interim Period. Following termination, the relevant "Direct Pledging Customer" will again be considered a Default Fund Participant.

The Default Fund Participant will remain solely responsible for all obligations which have arisen under these Default Fund Rules in relation to the relevant Default Fund Sponsored Participant before the termination is completed in accordance with the above.

- 12.4 Upon receipt of a copy of a notice in accordance with Section 12.3, the Default Fund Sponsored Participant shall within ten (10) Business Days (not including the day of receipt) inform the Clearinghouse how it intends to fulfill its Fund Requirement after its Default Fund Participant's obligations have been terminated.

13 DEFAULT NOTIFICATION PROCEDURE

- 13.1 The Clearinghouse will notify Default Fund Participants in the event a default has been declared by the Clearinghouse. Such default notification shall be distributed as soon as practically possible in accordance with the Clearinghouse's default notification procedure, which is available at the Clearinghouse's Website.

SCHEDULE

DEFAULT FUND REQUIREMENTS

Contributions are made to the Commodity Default Fund and/or Financial Default Fund and/or Seafood Default Fund as well as to the Mutual Default Fund. A Default Fund Participant's share of the Financial Default Fund and/or Commodity Default Fund and/or Seafood Default Fund is based on the Default Fund Participant's (including its Default Fund Sponsored Participants') 3-month average Initial Margin in relation to the aggregated average values of all Default Fund Participants and Default Fund Sponsored Participants in the respective market. Default Fund Participants' and/or Default Fund Sponsored Participants' calculated average Initial Margin shall be multiplied by 0.5 when such Default Fund Participants' and/or Default Fund Sponsored Participants' Initial Margin is provided in relation to an Individual Client Segregated Account.

A Default Fund Participant's share represents the share of the applicable Default Fund that the Default Fund Participant shall contribute to. An additional 15% of such amount is added to the Mutual Default Fund. Hence, the calculated contribution of a Default Fund Participant includes contributions to the Financial Default Fund and/or the Commodity Default Fund and/or the Seafood Default Fund and the Mutual Default Fund. A Default Fund Participant's calculated Fund Requirement includes calculated contributions in respect of its own accounts as well as its Default Fund Sponsored Participants (if any).

The calculation of the size of the Financial Default Fund, the Commodity Default Fund and the Seafood Default Fund is described in sections 3.4 – 3.7 of the Default Fund Rules.

If the calculated Fund Requirement would be lower than the applicable Minimum Fund Requirement, the Minimum Fund Requirement will be applied. For contributions in respect of Default Fund Sponsored Participants that are either "Direct Pledging Customers" or "Clearing Clients", the Minimum Fund Requirement that would have applied to such Default Fund Sponsored Participant if it were a separate Default Fund Participant is applied for each such individual Default Fund Sponsored Participant.

The Clearinghouse may increase or reduce the Fund Requirement of an individual Default Fund Participant to take into account known or anticipated changes in clearing volume and risk, including, but not limited to, changes resulting from account and position transfers and mergers and acquisitions involving the Default Fund Participant. Any such increase or reduction in a Default Fund Participant's Fund Requirement shall be made at the absolute discretion of the Clearinghouse, acting reasonably.

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