Appendix 16

1.9A Default Fund Rules

Application

1.9A.1 These Default Fund Rules are part of the Clearing Rules and set forth the terms and conditions governing the relation between the Clearing House and Default Fund Participants, and between Default Fund Participants, in connection with the Default Fund.

1.9A.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.

Interpretation

1.9A.3 References to the Clearing House shall, where the context so requires, include its nominees, agents or sub custodians appointed by the Clearing House on its behalf in accordance with the Default Fund Rules or the Default Fund Custody Account Agreement.

1.9A.4 Capitalized terms herein shall have the meanings assigned to them below and in the definition list to the Clearing Rules.

Business Day

A day (other than a Saturday or Sunday) on which commercial banks in Sweden are generally open for business.

Close-Out Balance

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.

Commodity Default Fund

The part of the Default Fund relating to Commodity Instruments to be applied upon a Relevant Participant’s default in accordance with section 1.9A.26 (i) or (iii), as applicable, to cover Default Losses allocated to Commodity Instruments.

Commodity Clearing Rules

The terms and conditions for clearing of only Commodity Instruments and Seafood Instruments issued by NASDAQ OMX Clearing AB, other than these Clearing Rules, as may be amended from time to time. A specification of the applicable Commodity Clearing Rules is available from the Clearing House.

Commodity Instruments

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

The aggregate Fund Requirements for the Commodity Default Fund divided by the
Market Proportion: sum of the aggregate Fund Requirements for the Commodity Default Fund, the Financial Default Fund and the Seafood Default Fund.

Contributed Assets: 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: 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.

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: 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 Clearing House 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: In respect of a Default Fund Participant, an agreement between the Clearing House and such Default Fund Participant stipulating terms for a Custody Account to be opened by such Default Fund Participant with the Clearing House.

Default Fund Exempt Participant: The Clearing House 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 Clearing House with a drawing facility which provides the Clearing House 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 Clearing House, and the Clearing House confirms in writing, that the Default Fund Participant (i) has effectively terminated its clearing membership agreement with the Clearing House and (ii) has no remaining obligations towards the Clearing House 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 Clearing House.

Default Fund Participant: Any and all Clearing Members and Direct Pledging Customers under these Clearing Rules and any and all “Account Holders” under the Commodity 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: A document describing the model for calculation of Fund Requirements, included as a schedule to these Default Fund Rules.
**Default Fund**

Any and all Indirect Pledging Customers under these Clearing Rules. In addition any Direct Pledging Customer and any “Clearing Client” under the Commodity Clearing Rules that another Default Fund Participant has agreed to represent as its Default Fund Sponsored Participant, as approved in each case by the Clearing House in accordance with section 1.9A.39a. 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**

The deficit that remains after any coverage available to the Clearing House has been applied in relation to the Relevant Participant’s obligations, disregarding any contributions to the Default Fund by the Relevant Participant.

**Eligible Funds**

Assets in the form of cash in the eligible currencies and/or the eligible securities, as specified in the Eligible Funds List from time to time, which a Default Fund Participant may use to fulfil its Fund Requirement.

**Eligible Funds List**

A list of Eligible Funds approved by the Clearing House, including provisions on how such Eligible Funds are to be valued, as may be amended from time to time in accordance with section 1.9A.15.

**Excess Loss**

Any remaining Default Loss allocated to Commodity Instruments, Financial Instruments or Seafood Instruments, as applicable, exceeding the funds under section 1.9A.26 (i) – (v).

**Financial Default Fund**

The part of the Default Fund relating to Financial Instruments to be applied upon a Relevant Participant’s default in accordance with section 1.9A.26 (i) or (iii), as applicable, to cover Default Losses allocated to Financial Instruments.

**Financial Instruments**

Instruments other than Commodity Instruments and Seafood Instruments.

**Financial Market Proportion**

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**

The requirement for the contribution to the Default Fund calculated by the Clearing House and notified to the Default Fund Participants in accordance with sections 1.9A.20 – 1.9A.21. 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 Clearing House on Default Fund Exit.

**Interim Period**

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**

An amount funded by the Clearing House’s own assets in accordance with section
1.9A.10.

**Market Default Fund**
The Commodity Default Fund, the Financial Default Fund or the Seafood Default Fund, as applicable.

**Market Proportion**
The Commodity Market Proportion, the Financial Market Proportion or the Seafood Market Proportion, as applicable.

**Minimum Fund Requirement**
The minimum Fund Requirement applicable to each Default Fund Participant, as further set out in section 1.9A.22.

**Mutual Default Fund**
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 1.9A.26 (i) or (v), as applicable.

**Realised Collateral Balance**
The actual deficit or surplus value of the collateral provided by a Relevant Participant following recourse and realisation of the collateral by the Clearing House in relation to the Margin Requirement applicable to the Relevant Participant.

**Relevant Participant**
Any defaulting Default Fund Participant, Default Fund Sponsored Participant or Default Fund Exempt Participant.

**Seafood Default Fund**
The part of the Default Fund relating to Seafood Instruments to be applied upon a Relevant Participant’s default in accordance with section 1.9A.26 (i) or (iii), as applicable, to cover Default Losses allocated to Seafood Instruments.

**Seafood Instruments**
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**
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**
Capital funded by the Clearing House through own assets or other arrangements as further set out in section 1.9A.10.

**Website**
http://www.nasdaqomx.com/europeanclearing/ or such other website as designated by the Clearing House from time to time.

**Composition and Structure of the Default Fund**

1.9A.5
The Clearing House maintains the Default Fund and other resources to cover Default Losses.

1.9A.6
The Fund Requirements shall be satisfied through each Default Fund Participant providing Eligible Funds to cover 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 the Default Fund Sponsored Participant.

1.9A.7 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, the Junior Capital (as allocated in accordance with section 1.9A.10) and the Senior Capital is available on the Clearing House’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 Clearing House in connection with the notifications under section 1.9A.20.

1.9A.8 The size of the Financial Default Fund shall be calculated by the Clearing House to enable the Clearing House to withstand, under extreme but plausible market conditions (as determined by the Clearing House), Default Losses in respect of either the largest Relevant Participant, or of the second and third largest Relevant Participants combined if the sum of their combined exposures is larger. However, 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.

1.9A.9 The size of the Commodity Default Fund shall be calculated by the Clearing House to enable the Clearing House to withstand, under extreme but plausible market conditions (as determined by the Clearing House), Default Losses in respect of either the largest Relevant Participant, or of the second and third largest Relevant Participants combined if the sum of their combined exposures is larger. However, 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.

1.9A.9a The size of the Seafood Default Fund shall be calculated by the Clearing House to enable the Clearing House to withstand, under extreme but plausible market conditions (as determined by the Clearing House), Default Losses in respect of either the largest Relevant Participant, or of the second and third largest Relevant Participants combined if the sum of their combined exposures is larger. However, 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.

1.9A.10 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, when aggregated with the Default Fund and Junior Capital, shall be calculated so as to enable the Clearing House to withstand, under extreme but plausible market conditions (as determined by the Clearing House), Default Losses in respect of its two largest
Relevant Participants (regardless of market), but shall not be less than SEK 100,000,000 (one hundred million).

1.9A.11 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 Seaford Default Fund.

Default Fund Contributions

1.9A.12 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 Clearing House in its discretion to the Default Fund for the respective market it will participate in.

1.9A.13 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 1.9A.20 in respect of ordinary Fund Requirement notifications, or 10:30 a.m. (CET) on the relevant Business Day as per section 1.9A.21 in respect of additional Fund Requirement notifications.

1.9A.14 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 Eligible Funds List. Each Default Fund Participant shall ensure that it complies with the Default Fund Custody Account Agreement at all times.

1.9A.15 The Clearing House maintains the Eligible Funds List. The Eligible Funds List may be changed with fourteen (14) days’ written notice to Default Fund Participants. In case of changes to the Eligible Funds List each Default Fund Participant must ensure that all Contributed Assets are compliant with the updated Eligible Funds List no later than such list becoming effective. Release of Contributed Assets, following contribution of replacement assets in accordance with section 1.9A.14, is subject to section 1.9A.18.

1.9A.16 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 Eligible Funds 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 Clearing House contribute the deficit amount in accordance with section 1.9A.14.

1.9A.17 A Default Fund Participant may, subject to the prior consent of the Clearing
House, 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 1.9A.14, is subject to section 1.9A.18.

1.9A.18 Contributed Assets may be released to Default Fund Participants, upon request to the Clearing House, to the extent the value of such Contributed Assets, when valued in accordance with the Eligible Funds List, exceeds the applicable Fund Requirement, and subject to the prior consent of the Clearing House, given in its discretion. A request by a Default Fund Participant to the Clearing House 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 Clearing House during the same Business Day. If approved the release will be effectuated within five (5) Business Days from the time of the approval. If rejected, the Clearing House will inform the Default Fund Participant of the grounds for rejection.

1.9A.19 The Clearing House is entitled to use the Contributed Assets and the guarantee commitment under section 1.9A.27 to cover Default Losses until the Contributed Assets and guarantee commitment have been or should have been released by the Clearing House in accordance with these Clearing Rules.

Calculation and notification of Fund Requirements

1.9A.20 Fund Requirements shall be calculated in accordance with the model set out from time to time in the Default Fund Requirements. The Clearing House 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 ten (10) Business Days prior to each Contribution Day.

1.9A.21 In addition to the provisions of section 1.9A.20, the Clearing House 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 Clearing House 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 ten (10) Business Days after the Clearing House has notified each affected Default Fund Participant of its new Fund Requirement. Notwithstanding the foregoing, Default Fund Participants who have been Default Fund Participants for less than thirty (30) Business Days shall meet a new Fund Requirement not later than three (3) Business Days after the Clearing House has notified the Default Fund Participant of the new Fund Requirement. Following a request by a Default Fund Participant, the Clearing House will provide the basis
Notwithstanding sections 1.9A.20 and 1.9A.21, the Minimum Fund Requirement per Default Fund Participant is as follows and must always be fulfilled (see also section 1.9A.12):

(i) For a Default Fund Participant that is only clearing Financial Instruments the Minimum Fund Requirement is (a) SEK 300,000 (three hundred thousand) for Direct Pledging Customers or (b) SEK 1,000,000 (one million) for all other Default Fund Participants.

(ii) For a Default Fund Participant that is only clearing Commodity Instruments the Minimum Fund Requirement is (a) EUR 30,000 (thirty thousand) for Direct Pledging Customers and “Clearing Clients” or (b) EUR 120,000 (one hundred and twenty thousand) for all other Default Fund Participants.

(iii) 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 and “Clearing Clients” or (b) NOK 250,000 (two hundred and fifty thousand) for all other Default Fund Participants.

(iv) 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 (i) through (iii) above.

Where a Default Fund Participant has multiple memberships under the Clearing Rules that each are subject to a Fund Requirement in respect of Financial Instruments under section 1.9A.22 (i), or in respect of Commodity Instruments under section 1.9A.22 (ii), or in respect of Seafood Instruments under section 1.9A.22 (iii), that Default Fund Participant will be subject to one single Fund Requirement in respect of all such Financial Instruments, 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 Clearing House 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.
 Allocation of Default Loss between Commodity Instruments, Financial Instruments and Seafood Instruments

1.9A.24
Where a Relevant Participant is clearing only Commodity Instruments, Financial Instruments or Seafood Instruments under these Clearing Rules, then any Default Loss shall, for the purpose of sections 1.9A.26, 1.9A.27 and 1.9A.28, be allocated to Commodity Instruments, Financial Instruments or Seafood Instruments accordingly.

1.9A.25
Where a Relevant Participant is clearing instruments pertaining to more than one of the categories Financial Instruments, Commodity Instruments and Seafood Instruments under these Clearing Rules, then any Default Loss shall, for the purpose of sections 1.9A.26, 1.9A.27 and 1.9A.28, be allocated to:

(i) Commodity 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 Commodity Instruments relative to the sum of the Relevant Participant’s Margin Requirement for Commodity Instruments, Financial Instruments and Seafood Instruments, and (b) the Close-Out Balance for the Commodity Instruments;

(ii) Financial 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 Financial Instruments relative to the sum of the Relevant Participant’s Margin Requirement for Financial Instruments, Commodity Instruments and Seafood Instruments, and (b) the Close-Out Balance for the Financial Instruments.

(iii) 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 Financial Instruments, Commodity Instruments and Seafood Instruments, and (b) the Close-Out Balance for the Seafood Instruments.

Realisation of the Default Fund and application of other resources

1.9A.26
In the event of one or several Default Losses, the Default Fund, the Junior Capital and the Senior Capital shall be available to cover such Default Losses in the order of priority stipulated in this section:

(i) 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 Clearing House 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 such Default Fund Sponsored Participant;

provided that the value of the available Contributed Assets under sub-section (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 1.9A.26 (i), the relevant entity or person shall be considered a separate Default Fund Participant that is a Direct Pledging Customer.

(ii) Second, the Junior Capital to cover any remaining Default Losses, provided that Junior Capital allocated in accordance with section 1.9A.10 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 1.9A.10) 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 1.9A.10) with an amount equal to the amount realised or to be realised in previously occurred defaults when applying this section 1.9A.26 (ii).

(iii) 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 1.9A.26 (iii).

(iv) 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 1.9A.26 (iv).

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.

(v) 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) \textit{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 1.9A.26 (v).

(vi) Sixth, the guarantee commitment given by each Default Fund Participant in respect of Excess Losses under section 1.9A.27 shall be used to cover any remaining Default Losses.

(vii) 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 1.9A.31 and 1.9A.33, shall be applied to cover such Default Losses in the order that \textit{mutatis mutandis} follows from sections 1.9A.26 (ii) – (v) to cover any remaining Losses.

The Clearing House shall be entitled to realise the contributions available under sections 1.9.A.26 (i), (iii) and (v) and (vii), 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 1.9A.31.

Guarantee commitment

1.9A.27 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 1.9A.30, upon receipt of the first written request from the Clearing House, within two (2) Business Days (excluding the day of demand) pay to the Clearing House a cash amount, into a bank account designated by the Clearing House, corresponding to its pro rata share of such Excess Losses (as calculated by the Clearing House in accordance with section 1.9A.28) in relation to the Commodity Default Fund and/or the Financial Default Fund and/or Seafood Default Fund (as applicable).

1.9A.28 A Default Fund Participant’s pro rata share of Excess Losses pursuant to section 1.9A.27 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 1.9A.30.

1.9A.29

[Intentionally left blank]

1.9A.30

The guarantee commitments under section 1.9A.27 shall be limited as follows:

(i) 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 the 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); and

(ii) It shall be reduced and limited by an amount equivalent to such amount that the Default Fund Participant has replenished in accordance with section 1.9A.31 (as applicable) for any Interim Period.

Replenishment and redistribution

1.9A.31

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 ten (10) Business Days following a replenishment request, which may be notified by the Clearing House 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 1.9A.26 (vii). Following the applicable Interim Period, the replenished funds will be moved to their original priority level under sections 1.9A.26 (i), (iii) and (v), as applicable.

1.9A.32

A Default Fund Participant’s obligations to replenish funds in accordance with section 1.9A.31 shall terminate:

(i) on the date any amount is utilised under the guarantee commitment in section 1.9A.27; or

(ii) on the date of the Default Fund Exit, provided that the Default Fund Exit occurs before the Clearing House has notified the Default Fund
Any realised Junior Capital and Senior Capital contributed by the Clearing House shall be replenished by the Clearing House within ten (10) 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 1.9A.26 (vii). Following the applicable Interim Period, the replenished funds will be moved to their original priority level under sections 1.9A.26 (ii) and (iv), as applicable.

In the event that the Clearing House, following a Default Loss which has yielded contributions by Default Fund Participants and the Clearing House pursuant to section 1.9A.26 above, is able to recover any Default Loss (or parts thereof) from the defaulting Relevant Participant, the Clearing House shall redistribute such recovered amounts to the Default Fund Participants who contributed to the applicable Default Loss, including the Clearing House itself (to the extent it contributed to the Default Loss through the Senior Capital, the Junior Capital or otherwise).

Redistribution of recovered amounts pursuant to section 1.9A.34 shall take place by applying section 1.9A.26 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.

A Default Fund Participant’s right to redistribution in accordance with sections 1.9A.34 and 1.9A.35 is conditional on the Clearing House having not assigned its corresponding claim to the Default Fund Participant pursuant to section 1.9A.37. In cases where the claim has been assigned to a Default Fund Participant pursuant to section 1.9A.37, such Default Fund Participant shall be deemed to have waived its right to any amounts recovered pursuant to section 1.9A.34.

Assignment of claims

Should any contributions to the Default Fund be realised under section 1.9A.26 and/or any funds be paid by a Default Fund Participant under the guarantee commitment under section 1.9A.27, the Clearing House 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
Default Fund Exit

1.9A.38 Following a Default Fund Exit, the Clearing House shall, subject to sections 1.9A.19 and 1.9A.39, 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 Clearing House is to notify the next Fund Requirements in accordance with section 1.9A.20 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.

1.9A.39 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 Clearing House is to notify the next Fund Requirements in accordance with section 1.9A.20 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.

Default Fund Sponsored Participants that are Direct Pledging Customers or “Clearing Clients”

1.9A.39a The Clearing House may approve in its sole discretion that a Direct Pledging Customer or a “Clearing Client” under the Commodity Clearing Rules shall be considered a Default Fund Sponsored Participant. A Default Fund Participant that has agreed to represent such Direct Pledging Customer or “Clearing Client” as its Default Fund Sponsored Participant shall submit a written confirmation to that effect to the Clearing House, in the form required by the Clearing House from time to time.

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

1.9A.39b A Default Fund Participant that represents a Direct Pledging Customer or “Clearing Client” 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.
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 or “Clearing Client” by giving written notice to the Clearing House. 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 Clearing House’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 Clearing House 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 Clearing House 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 or “Clearing Client” 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.

Upon receipt of a copy of a notice in accordance with section 1.9A.39c, the Default Fund Sponsored Participant shall within ten (10) Business Days (not including the day of receipt) inform the Clearing House how it intends to fulfill its Fund Requirement after its Default Fund Participant’s obligations have been terminated.

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

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).

A Default Fund specific share is calculated for each Default Fund Participant \( P \) in market \( M \):

\[
Share_{P,M} = \frac{Avg.\ Initial\ Margin_{P,M}}{\sum Avg.\ Initial\ Margin_{P,M}}
\]

A Default Fund specific share is calculated for each Default Fund Sponsored Participant \( C \) in market \( M \):

\[
Share_{C,M} = \frac{Avg.\ Initial\ Margin_{C,M}}{\sum Avg.\ Initial\ Margin_{C,M}}
\]

The size of the Financial Default Fund, the Commodity Default Fund and the Seafood Default Fund is described in sections 1.9A.8 - 19A.9a of the Default Fund Rules. CCaR is calculated for each Relevant Participant and CCaR Scenario in market \( M \). The following value is calculated for each CCaR Scenario \( S \):

\[
CCaR_{S,M} = \max[Largest \ CCaR\ value; Second + third largest \ CCaR\ value]
\]

The maximum CCaR\(_{S,M}\) value is chosen as the CCaR value of day \( T \) in market \( M \):

\[
CCaR_{T,M} = \max[CCaR_{S,M}]
\]
The size of the Financial Default Fund or the Commodity Default Fund or the Seafood Default is finally determined by the 12-month maximum CCaR\(_{T,M}\) value:

\[
\text{Size of Default Fund}_{M} = \max[CCaR_{T,M}]
\]

A Default Fund Participant’s aggregated Default Fund specific share equals the sum of its own share and the individual shares of the Default Fund Sponsored Participants relating to the Default Fund Participant. As a result, the total Default Fund contribution for a Default Fund Participant \(P\), including its Default Fund Sponsored Participants \(C\), for its exposures in market \(M\) and including contribution to Mutual default fund is:

\[
\text{Fund Requirement}_{P,M} = (Share_{P,M} + \sum Share_{C,M}) \times \text{Size of Default Fund}_{M} \times 115\%
\]

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 Clearing House 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 Clearing House, acting reasonably.

Definitions

**Initial Margin**

The part of the Margin Requirement that is intended to cover the Clearing House’s potential future exposures to Counterparties in the interval between the last Margin Requirement and the liquidation of Contracts following a Counterparty’s default.

**Participant CCaR**

A Default Fund Participant, Default Fund Sponsored Participant and Default Fund Exempt Participant’s worst-case CCaR value on any given day. The Participant CCaR value is determined by the Worst Case Scenario of that participant.

**CCaR**

The Clearing House’s risk model (Clearing Capital at Risk) which calculates the maximum unexpected losses (not covered by collateral) for the Clearing House based on current positions in Contracts under extreme, but plausible market movements.

**Worst Case Scenario**

The CCaR scenario that generates a participant’s greatest CCaR value is selected as the Worst Case Scenario for the purposes of determining the size of the relevant Default Fund. The scenarios that are used in the CCaR methodology are designed to reflect extreme but plausible market conditions.