

## ICE CLEAR CREDIT LLC

### PHYSICAL SETTLEMENT AND NOTICES TERMS

#### 1. APPLICATION AND INTERPRETATION

These physical settlement and notices terms (the “**Settlement and Notices Terms**”) apply solely to the clearing arrangements between a Participant and Non-Participant Parties (“**Customers**”) for which it clears CDS Contracts (the term “**CDS Contract**”, as used in these Settlement and Notices Terms, is restricted to such CDS Contracts cleared for Customers). Notwithstanding the previous sentence, but without prejudice to the terms of any CDS Contract, a Participant and its Customer may agree in their clearing arrangements or otherwise to vary or override the terms of these Settlement and Notices Terms as between themselves only.

These Settlement and Notices Terms are published by ICE Clear Credit for the convenience of Participants and their Customers but do not form part of ICE Clear Credit's Rules (the “**Rules**”) or procedures. The Settlement and Notices Terms are intended to be incorporated by reference in clearing agreements between Participants and their Customers. These Settlement and Notices Terms shall be governed by and construed in accordance with the law governing the clearing arrangement to which they relate in any instance and subject to such dispute resolution mechanisms and procedures and such courts or other forum for hearing disputes as are applicable in respect of the CDS Contract or clearing arrangement to which they relate. Each Participant and Customer to which these Settlement and Notices Terms apply hereby waives any right to object to any such choice of law or proceedings on the basis of *forum non conveniens*, that the governing law or forum is not specified on the face of this document or otherwise.

These Settlement and Notices Terms are intended to apply in their present form pending broader industry discussion of other possible solutions, possibly in connection with technological progress and may be amended as any further technological or industry developments take place. Any amendments, modifications, restatements or supplements in respect of these Settlement and Notices Terms shall be effective if published by ICE Clear Credit. At the request of a Participant, a Customer of that Participant will enter into a written confirmation of the terms of these Settlement and Notices Terms or any amendment, modification, supplement or restatement made to them.

These Settlement and Notices Terms shall not bind ICE Clear Credit and in the event of any inconsistency between the Rules or the ICE Clear Credit Procedures and these Settlement and Notices Terms in respect of any CDS Contract, the Rules or ICE Clear Credit Procedures shall apply.

If any CDS Contract is Transferred to a Transferee Participant in accordance with the Rules, these Settlement and Notices Terms shall apply to the CDS Contract existing following such Transfer, except to the extent and until otherwise agreed between the Customer and the Transferee Participant.

Capitalized terms used, but not defined, in these Settlement and Notices Terms shall have the meanings given to them or incorporated into the Rules, ICE Clear Credit Procedures and Applicable Credit Derivatives Definitions (together, the “**ICE Documentation**”) as applicable.

These Settlement and Notices Terms are intended to establish the processes for dealing with certain aspects of Physical Notices. “**Physical Notices**” means MP Delivery Notices.

References to “**Sections**” herein are to sections of these Settlement and Notices Terms, unless specified otherwise.

These Settlement and Notices Terms are intended to amend and supplement the clearing arrangements between Participants and their Customers. These Settlement and Notices Terms are not intended to create new contractual relationships between parties which would otherwise not exist.

## **2. THE SETTLEMENT AND NOTICES TERMS**

### **2.1 Provisions Applicable to all Physical Notices**

- (a) These Settlement and Notice Terms assume a chain of transactions (each a “**CDS Chain**”) in which:
  - (i) a Participant (“**Participant A**”): (A) is (1) the protection buyer (either directly or on behalf of a Customer (“**Customer A**”)); and (2) assuming ICE Clear Credit has created Matched Delivery Pairs as required by the ICE Documentation, the Matched Delivery Buyer, in each case under its CDS Contract with ICE Clear Credit; and (B) if Participant A is holding the CDS Contract on behalf of Customer A, Customer A is the ultimate protection buyer; and
  - (ii) a Participant (“**Participant B**”): (A) is (1) the protection seller (either directly or on behalf of a Customer (“**Customer B**”)) and (2) assuming ICE Clear Credit has created Matched Pairs as required by the ICE Documentation, the Matched Delivery Seller, in each case under its CDS Contract with ICE Clear Credit; and (B) if Participant B is holding the CDS Contract on behalf of Customer B, Customer B is the ultimate protection seller.
- (b) Each Participant agrees for the benefit of each of its Customers that, if such Customer delivers any request or instruction to Participant to deliver a Physical Notice under a CDS Contract (that such Participant is permitted to deliver) and where such request or instruction is effective pursuant to both (i) their clearing arrangements and (ii) these Settlement and Notice Terms, the Participant will, subject to the terms of the CDS Contract and the ICE Documentation, deliver a corresponding Physical Notice under the relevant CDS Contract no later than two (2) hours after effective receipt by the Participant of such request or instruction. A Physical Notice that is effective against a Participant pursuant to a CDS Contract, shall, subject to the terms of the clearing arrangement between such Participant and its Customer, be deemed to have been copied to and bind its Customer at the same time, regardless of if or when the Customer actually receives such or a corresponding Physical Notice or copy of such Physical Notice from its Participant or any other Person.

- (c) Each Participant agrees for the benefit of each of its Customers that, if it (i) receives a notice pursuant to a CDS Contract or (ii) gives a notice that is effective pursuant to the terms of a CDS Contract, it will, subject to the terms of the CDS Contract, the ICE Documentation and the clearing arrangements between them, deliver a copy of such notice to Customer no later than two (2) hours after effective receipt or delivery by it of such notice.

## 2.2 Notices

- (a) For the purposes of determining, as between each Participant and its Customer only (A) when notices, requests or instructions delivered by a Customer to a Participant pursuant to their clearing arrangements are effective; and (B) when notices received or given by a Participant must be copied by a Participant to its Customer, in each case pursuant to Sections 2.1(b) and (c) of these Settlement and Notices Terms, the following shall apply:
  - (i) (A) a notice, request or instruction received by the Participant from a Customer or (B) a notice given by the Participant in respect of a CDS Contract, in each case, on or after 9:00am and on or prior to 4:00pm (in each case, Calculation Agent City time) on a Calculation Agent City Business Day will be effective at such Calculation Agent City time on such Calculation Agent City Business Day;
  - (ii) (A) a notice, request or instruction received by the Participant from a Customer or (B) a notice given by the Participant in respect of a CDS Contract, in each case, prior to 9:00am (in each case, Calculation Agent City time) on a Calculation Agent City Business Day will be effective at 9:00am Calculation Agent City time on such Calculation Agent City Business Day; and
  - (iii) (A) a notice, request or instruction received by the Participant from a Customer or (B) a notice given by the Participant in respect of a CDS Contract, in each case, on a day that is not a Calculation Agent City Business Day or after 4:00pm (Calculation Agent City time) on a day that is a Calculation Agent City Business Day will be effective at 9:00am Calculation Agent City time on the next following Calculation Agent City Business Day.

Terms used but not defined in this Section 2.2(a) shall have the meanings given to them in the relevant CDS Contract.

- (b) Any notice required to be delivered as between a Customer and a Participant pursuant to these Settlement and Notices Terms shall be delivered in accordance with the terms of the relevant CDS Contract, the ICE Documentation and the clearing arrangements applicable between a Customer and its Participant. Subject to the ICE Documentation and Section 2.2(a), section 1.10 (*Requirements Regarding Notices*) of the 2003 Definitions (in the case of a 2003-Type CDS Contract) or Section 1.38 of the 2014 Definitions (in the case of a 2014-Type CDS Contract), as applicable, will apply to all such notices.

## 2.3 Delivery of Deliverable Obligations

- (a) Customer A, Participant A, Participant B and Customer B may, if they wish and subject to Applicable Law, in any instance where Physical Settlement applies, arrange among themselves for delivery versus payment as between any two of them in satisfaction of the obligations of the relevant parties in the CDS Chain agreeing to such arrangement;

provided that any such arrangement must constitute and be approved as a CADP under the Rules. In a CDS Chain involving only one Customer, the parties in the CDS Chain may agree for the relevant Participant making or receiving delivery or payment for its own account as principal to undertake delivery versus payment as between itself and the other Participant's Customer in a similar manner. In any instance in which a Customer makes or receives delivery or payment on behalf of its Participant pursuant to such arrangements, the Customer will be treated as a designee of the Participant.

- (b) To the extent that no arrangement of a nature referred to in Section 2.3(a) is established, the remaining provisions of this Section 2.3 shall apply in connection with Physical Settlement of CDS Contracts.
- (c) Each Participant covenants separately for the benefit of each of its Customers A that if it is acting as Participant A and receives a Delivery of a Deliverable Obligation (or, if applicable, an Asset Package) from its Customer for purposes of settlement under a CDS Contract, it will, subject to and in accordance with the relevant CDS Contract, the ICE Documentation and the clearing arrangements between such Participant and its Customer, Deliver one or more Deliverable Obligations and/or, if applicable, Asset Packages (which, for the avoidance of doubt need not correspond to those Delivered by the Customer under the related CDS Contract) no later than the first following Business Day after the day on which a trade in the relevant Deliverable Obligations (or, if applicable, Asset Package) would, if effected on the day of receipt of such Deliverable Obligations (or, if applicable, Asset Package) from Customer A, be settled in accordance with customary practice. On each occasion on which a Customer of a Participant Delivers Deliverable Obligations (or, if applicable, an Asset Package) to such Participant, such Customer will be deemed to make the representations in Section 9.2 of the 2003 Definitions (in the case of a 2003-Type CDS Contract) or 11.2 of the 2014 Definitions (in the case of a 2014-Type CDS Contract), as applicable, as if it were party, as protection buyer, to a CDS Contract with such Participant as protection seller.
- (d) Each Participant covenants separately for the benefit of each of its Customers B that if it is acting as Participant B and receives Deliverable Obligations (or, if applicable, an Asset Package) pursuant to the terms of a CDS Contract on behalf of Customer B, it will, subject to the ICE Documentation and the clearing arrangements between Participant B and Customer B Deliver Deliverable Obligations (or, if applicable, an Asset Package) with an outstanding principal balance or due and payable amount, as applicable, equal to those Delivered to Participant B under the relevant CDS Contract on or prior to the first following ICE Business Day after the date on which a trade in the relevant Deliverable Obligations (or, if applicable, Asset Package) would, if effected on the day of receipt of such Deliverable Obligations (or, if applicable, Asset Package) by Participant B, be settled in accordance with customary practice.

## **2.4 Fallback to Cash Settlement**

- (a) If circumstances exist such that, if there were a separate CDS contract on the terms of the CDS Contract between Customer B and its Participant, there would be a fallback to Cash Settlement, then, subject as provided below, a fallback to Cash Settlement shall hereby be deemed to apply but only as between Participant B and Customer B, without affecting the Settlement Method of any other CDS Contract in the CDS Chain.

- (b) Without prejudice to the provisions of the ICE Documentation in relation to CDS Contracts, following fallback to Cash Settlement: (i) Participant A and Customer A; or (ii) Participant B and Customer B shall notify each other, in accordance with the terms of the CDS Contract and/or any clearing arrangements, describing in reasonable detail the facts giving rise to the fallback. Sections 2.1 and 2.2 shall apply to such notices.

## **2.5 Additional Provisions Relating to Buy-in of Bonds Not Delivered**

No Participant may deliver and no Customer may request or instruct the delivery by a Participant of a Buy-In Notice under the Applicable Credit Derivatives Definitions except for a Participant that is acting as Participant B (where there is no Customer B) or a Customer that is acting as Customer B in a CDS Chain. If a Buy-In Notice is effectively given in respect of a CDS Contract by Participant B at the request or instruction of its Customer B (such party being the “**Electing Seller**”), then such Customer B may exercise, on behalf of Participant B, the rights of Participant B as Seller pursuant to and subject to Section 9.9 of the 2003 Definitions or Section 9.7 of the 2014 Definitions, as applicable, under the CDS Contract (in any case subject to the Rules) but without prejudice to Sections 2.1 and 2.22.

## **2.6 Additional Provisions Applicable to Alternative Procedures Relating to Loans Not Delivered and Assets Not Delivered**

- (a) No Participant may deliver and no Customer may request or instruct the delivery by a Participant of a notice under Section 9.10(a) of the 2003 Definitions or Section 9.8(i) of the 2014 Definitions, as applicable (an “**Alternative Loan Buyer Notice**”) except for a Participant that is acting as Participant A (where there is no Customer A) or a Customer that is acting as Customer A in a CDS Chain. If an Alternative Loan Buyer Notice is effectively given in respect of a CDS Contract by Participant A at the request or instruction of its Customer A, then such Customer A may exercise, on behalf of Participant A, the rights of Participant A as Buyer pursuant to and subject to Section 9.10(a) of the 2003 Definitions or Section 9.8(i) of the 2014 Definitions, as applicable, under the CDS Contract (in any case subject to the Rules), but without prejudice to Sections 2.1 and 2.2.
- (b) No Customer may deliver or request or instruct the delivery of a notice under Section 9.10(b) of the 2003 Definitions or Section 9.8(ii) of the 2014 Definitions, as applicable. Only a Participant that is acting as Participant B may deliver such a notice (an “**Alternative Loan Seller Notice**”). Sections 2.1 and 2.2 hereof shall apply to Alternative Loan Seller Notices.
- (c) If a CDS Contract is subject to settlement in accordance with Section 9.10(b) of the 2003 Definitions or Section 9.8(ii) of the 2014 Definitions, then the rights between Participant A and Customer A in respect thereof shall be settled as if a separate CDS Contract were in effect between Participant A and Customer A and a fallback to Cash Settlement applied to such transaction, by reference to the Deliverable Obligations in respect of the CDS Contract.
- (d) No Customer may deliver or request or instruct the delivery of a notice under Section 9.9 of the 2014 Definitions. Only a Participant that is acting as Participant B may deliver such a notice (an “**Alternative Asset Seller Notice**”). Sections 2.1 and 2.2 hereof shall apply to Alternative Asset Seller Notices.

- (e) If a CDS Contract is subject to settlement in accordance with Section 9.9 of the 2014 Definitions, then the rights between Participant A and Customer A in respect thereof shall be settled as if a separate CDS Contract were in effect between Participant A and Customer A and a fallback to Cash Settlement applied to such transaction, by reference to the Deliverable Obligations in respect of the CDS Contract.