

Product Appendix 2 – Credit Derivatives

1 Definitions and Interpretation

The following definitions shall apply only to this Product Appendix 2, in addition to the definitions contained in the Rulebook.

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| CDS Category | The grouping of Eligible Instruments known as Credit Default Swaps (CDS). |
| Derivatives Documentation | The Agreement(s) between two Participants containing the underlying terms and conditions that govern the contractual obligations in respect of Trades in the Eligible Instrument between those two Participants. |
| Persistent Volume Matching Session | Has the meaning given to such term in Rule 10.2 of this Appendix. |
| Product | Financial instruments known generally as Credit Derivatives, made up of the CDS Category |

2 General

- 2.1 This Product Appendix sets out additional Rules for participation and trading the Product on the ISL MTF, to ensure the orderly conduct of business.
- 2.2 Where indicated, certain Rules in this Appendix have specific application to the Product as indicated by Category and/or Instrument Types and/or Eligible Instrument/s. The Rules are binding on all Participants.
- 2.3 Operator has appointed ISL as ICAP Broker of certain Eligible Instruments.
- 2.4 The ISL MTF enables Participants to conduct trading in the Instrument Types within the CDS Category.
- 2.5 For this Product, the ISL MTF allows trading on a NGU basis only.

3 Trading Day

- 3.1 The relevant Trading Days for each of the Eligible Instruments within the Product are as specified in the Eligible Instruments list accessed via the link provided at section 6.1 of this Appendix.
- 3.2 Trading is not permitted outside the Trading Day. The Operator shall, at its sole discretion, determine what the Trading Day shall be for the Eligible Instruments.

4 Eligibility Criteria

4.1 All Participants must satisfy the Eligibility Criteria detailed in the Rulebook.

5 Categories and Instrument Types

5.1 The Product is traded on the ISL MTF in the CDS Category.

CDS Category

5.2 The ISL MTF allows trading within the CDS Category of the following Instrument Types:

- a. a single name CDS; and
- b. an index CDS.

5.3 For CDS Eligible Instruments, an upfront fee may be required to be paid by one counterparty to the other. In order to determine the upfront fee to be settled between the counterparties (where applicable), a standard calculation process is undertaken by the Operator. Participants agree that the formula to be applied by the Operator in order to calculate the upfront fee shall be as determined at the Operator's sole discretion.

5.4 Both single name and index Eligible Instruments can be traded either as an outright, or as a switch.

5.5 Outrights

- a. The ISL MTF displays the tenor, the coupon (as applicable) and, where available, the relevant reference obligation.

5.6 Switches

- a. A switch is a single Trade that results in the purchase of an underlying outright contract and the simultaneous sale of another underlying outright contract(s).
- b. The ISL MTF displays (as applicable) the tenor(s), the coupon(s) and the underlying contracts forming the switch.
- c. Once the switch price is Matched, the counterparties are contractually obliged to transact the underlying outright contracts which constitute the Eligible Instrument.
- d. The Operator is solely responsible for calculating the price and size of each underlying outright contract, calculated with reference to the other underlying outright contract(s) and the switch price and size actually traded.

6 Eligible Instruments

- 6.1 The Eligible Instruments available on ISL MTF are published at <https://support.icap.com/Account/LogOn?ReturnUrl=%2f&supportarea=46>

7 Orders

- 7.1 Provided that the Authorised User is permitted to trade the Eligible Instrument, the Authorised User may submit an Order on the ISL MTF in respect of that Eligible Instrument.
- 7.2 Subject to the ISL MTF being available for trading, an Order may be submitted at any point during the Trading Day. During a Volume Matching Session in respect of a certain Eligible Instrument, only Volume Matching Orders may be submitted for that Eligible Instrument.
- 7.3 Orders and Orders submitted during Order Work-up may be amended or cancelled by the Authorised User who submitted them (or by ICAP Broker authorised to act as the Authorised User's agent in some circumstances) at any point prior to being Matched. An Order which has been Matched cannot be cancelled except in accordance with the Rules.
- 7.4 Depending on the Eligible Instrument, Order size entered and displayed on the ISL MTF may be expressed with a standard market size multiplier having been applied.
- 7.5 The Operator may impose a minimum Order size in respect of any Eligible Instrument. Any Order not fulfilling minimum Order size requirements will be rejected by the ISL MTF.
- 7.6 Orders are Matched using price, then time priority, based on the bid or offer made and then the time the Order is shown on the Order Book.
- 7.7 Orders and Orders submitted during Order Work-up are anonymous to other Authorised Users unless the Order belongs to their Participant firm. ICAP Brokers have full market visibility and therefore see all Orders and Trade details including counterparties.
- 7.8 All Orders which have not been Matched are cancelled at the end of each Trading Day.

8 Order Work-up

- 8.1 Depending on the Eligible Instrument, after a Match has occurred, an Order Work-up may commence for a period determined by the Operator.
- 8.2 Any Orders submitted into the Order Book during normal market trading, which have the same price as the Matched Price and therefore resting in the stack, will automatically enter Order Work-up and are eligible to be Matched, with the

original counterparties to the Trade relating to that Order having priority on such Order Work-up.

- 8.3 If an Order referred to in 8.2 is not Matched during Order Work-up, it retains its place in the Order Book, subject to any Order conditions that the Authorised User may have selected.
- 8.4 For the avoidance of doubt, Orders submitted during Work-up are subject to the minimum Order size for that Eligible Instrument.

9 Volume Matching Sessions

- 9.1 Volume Matching Orders in relation to the Product are Matched (where a Match is available) during Volume Matching Sessions using a Continuous Matching Model described below.
- 9.2 For Eligible Instruments which utilise a Continuous Matching Model:
 - a. a Volume Matching Session consists of a single Volume Matching Order input period and concurrent Matching Period. Volume Matching Orders may be Matched at any point during a Volume Matching Session;
 - b. during a Volume Matching Session, Authorised Users can amend or cancel any Volume Matching Order size which has not been Matched;
 - c. where an Eligible Instrument enters a Volume Matching Session, except for a Persistent Volume Matching Session, normal market trading in that Eligible Instrument (if applicable) is halted until the end of the Volume Matching Session;
 - d. for certain Eligible Instruments, Orders submitted into the Order Book during normal trading, which are the same as the Volume Matching Price, automatically enter the Volume Matching Session and are eligible to be Matched. If this Order is not Matched during the Volume Matching Session, it retains its place in the Order Book; and
 - e. Volume Matching Orders are Matched in accordance with time order priority. If during a Volume Matching Session a Match cannot occur due to a credit restriction being in place, priority moves to the next Volume Matching Order, based on time of Volume Matching Order entry.

10 Persistent Volume Matching Sessions

- 10.1 Certain Eligible Instruments will be made available in Persistent Volume Matching Sessions.
- 10.2 A Persistent Volume Matching Session consists of back-to-back Volume Matching Sessions in the same Product throughout the duration of the Trading Day. The Volume Matching Price of a Product during a Persistent Volume

Matching Session is determined by ICAP Broker at its discretion, and may change at any time during the Trading Day at ICAP Broker's discretion.

- 10.3 Upon ICAP Broker changing the Volume Matching Price of a Product during a Persistent Volume Matching Session, the current Volume Matching Session is ended and a new Volume Matching Session is initiated at the new Volume Matching Price. Any unmatched Volume Matching Orders from the previous Volume Matching Session are automatically removed.

11 Credit

- 11.1 Participants may elect in advance not to Match against certain counterparties by informing the Operator.
- 11.2 The notified settings or restrictions only takes effect upon confirmation from the Operator that they have been implemented.
- 11.3 If during the Order Match process a Match cannot occur due to a restriction being in place, priority moves to the next Order in the Order Book.

12 Contractual Position

- 12.1 Once Matched, the relevant Participants have entered into a valid, legal and binding Trade, governed by the terms of the Derivatives Documentation in place between the Participants and the respective ISDA definitions which apply to Trades in those Eligible Instruments.
- 12.2 For the avoidance of doubt, to the extent the terms for entering into a Trade in any of the Eligible Instruments are not displayed on the ISL MTF or otherwise set out in the Rulebook, such terms shall be agreed, and disputes determined, in accordance with the terms and conditions set out in the Derivatives Documentation.
- 12.3 If the Participants do not have Derivatives Documentation in place, the Matched Trade shall nonetheless remain a valid, legal and binding contractual obligation and the Participants shall determine how to perform the obligations in respect of the Trade.
- 12.4 ICAP Broker will, in good faith, if requested, seek to facilitate determination between the Participants pursuant to sections 12.2 and 12.3 and help the Participants to clarify the obligations owed.