



Cboe Clear US – Default Management Plan

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1. Purpose

In the event a Clearing Member of Cboe Clear US, LLC (the “Clearinghouse”) is in Default, the Clearinghouse will invoke this Default Management Plan (“DMP”) and follow the default procedures below to handle such an event. In accordance with Commodity Futures Trading Commission (“CFTC” or “Commission”) §39.16, this DMP delineates the roles and responsibilities of the Clearinghouse’s management team, Board of Directors (“Board”), Risk Management Committee (“RiskCo”), and Default Management Committee (“DMC”).

The purpose of this DMP and the default procedures included within is to ensure that the Clearinghouse takes timely action to contain losses, and liquidity pressures, and continue meeting its obligations in the event of a Default on the obligations of one or more of its Clearing Members.

All capitalized terms not defined in this document shall have the meaning set forth in the Cboe Clear US Rulebook (“Rulebook”).

Cboe Clear US shall make its Default rules publicly available.

2. Applicability/Scope

This DMP governs Clearinghouse and its Clearing Member compliance with the requirements set forth under CFTC Regulation §39.16 and CFTC §39.13(f) and would not apply to Clearing Member portfolios that hold only fully collateralized positions. Margin is extended by Cboe Clear US only to its FCM Clearing Members. Therefore, this DMP only applies to FCMs.

3. Details

3.1. Guaranty Fund

Each FCM Clearing Member shall be required to contribute to the Guaranty Fund in accordance with Clearinghouse Rules 504 through 507. The Default Financial Resource Policy outlines the policies to which the Clearinghouse adheres to ensure that to meet its financial obligations to its Clearing Members notwithstanding a default by the Clearing Member creating the largest financial exposure for the Clearinghouse in extreme but plausible market conditions.

3.2. Default Management Committee

As part of the DMP, the DMC, a subcommittee of the RiskCo, oversees the management of risks to the Clearinghouse and its (non-defaulting) Clearing Members in the event of Default or potential Default by a Clearing Member.

The DMC also meets at least annually for DMP testing. The Default Management Committee Charter governs the roles and responsibilities of the DMC.

3.3. Testing

Testing of the DMP is performed at least once per calendar year. Information about DMP testing and required operational preparation is communicated to Clearing Members as part of the onboarding process and their ongoing membership participation. The Default Communication Plan governs internal and external Clearinghouse communications in the event of a Default.

3.4. Clearing Member Default

Pursuant to Clearinghouse Rule 502, if a Clearing Member (a) fails to satisfy any of its Obligations, (b) fails to deliver funds within the time established by the Clearinghouse, (c) is expelled or suspended from the Clearinghouse, a Participating Exchange, or any self-regulatory organization, (d) fails to meet the minimum capital and other financial requirements of the Clearinghouse, or (e) is Insolvent, the Clearinghouse may declare such Clearing Member to be in Default. A minimum of three out of the five following individuals are required to declare a Clearing Member in Default: the Head of Clearing, President, Chief Risk Officer (“CRO”), Chief Financial Officer (“CFO”) or Chief Compliance Officer (“CCO”).

Pursuant to Clearinghouse Rule 306 a Clearing Member must immediately notify the Clearinghouse

- of any Default of the Clearing Member or any failure or inability of the Clearing Member to meet its Obligations;
- if it becomes the subject of a bankruptcy petition, receivership proceeding, or the equivalent; and
- about any other event(s), transpired or imminent, that may or will lead to Default.

Each Default by a Clearing Member will be considered a separate Default, provided that if a Clearing Member has been declared in Default, subsequent failures to meet an obligation of the Clearinghouse by such Defaulting Clearing Member shall not be considered separate Default events unless the original default has been fully resolved and such Clearing Member has been restored to good standing.

Upon the Clearinghouse declaring a Clearing Member to be in Default, the Clearinghouse will take the below-described actions, as applicable, as soon as reasonably practicable to communicate to the designated persons, contain losses and liquidity pressures:

The Clearinghouse will make an immediate notice to the CFTC via communications means as determined by the CFTC, as prescribed by CFTC §39.19(c)(4)(viii). Such notice shall be prepared by Legal and Compliance and include the following information:

- The name of the Clearing Member;
- The products the Clearing Member defaulted upon;
- The number of positions for futures and options, and for swaps, the number of outstanding trades and notional amount, the clearing member defaulted upon; and
- The amount of the financial obligation.

The Clearinghouse will notify all Clearing Members of the Default via public notification on its website. Such notice shall state, to the extent practicable in general terms, how pending transactions, open positions and other pending matters will be affected and what steps are to be taken in connection therewith.

In a timely manner, the CRO will notify and convene the DMC and, based on the facts and circumstances of the Default, make a recommendation to the DMC for its approval regarding the nature and timing of transactions to cause open positions in Contracts in any of the accounts of a Defaulting Clearing Member:

- To be closed in such manner as deemed practicable by the Clearinghouse, in its sole discretion, including auctioning the Contracts as described in the Default Auction Procedures.
- To be transferred to the account of one or more other willing non-defaulting Clearing Members.
- To be offset within the Defaulting Clearing Member's account(s) and, to the extent of any remaining imbalance, offset against the Contracts of other Clearing Members; or
- To be settled at the final Settlement Price for such Contracts, or at such other price or prices as the Clearinghouse may deem fair and reasonable under the circumstances.

The Clearinghouse may take any of the actions set forth in Clearinghouse Rule 606 against the Defaulting Clearing Member.

The Clearinghouse may suspend the Defaulting Clearing Member's membership in accordance with the process described in Clearinghouse Rule 601.

The Clearinghouse may take other actions in relation to the Defaulting Clearing Member. Such actions may include but are not limited to pursuit of legal action and requests to restore Guaranty Fund contributions.

In connection with any action undertaken by the Clearinghouse, the Clearinghouse shall have the right to apply the Margin of the Defaulted Clearing Member and any other assets of such Clearing Member held by, pledged to or otherwise available to the Clearinghouse, including contributions to the Guaranty Fund and any guarantee issued pursuant to the Clearinghouse Rules, to discharge the Obligations of such Clearing Member to the Clearinghouse (including any costs and expenses associated with the liquidation, transfer, or management of Contracts held in or for the accounts of such Clearing Member, and any fees, assessments or fines imposed by the Clearinghouse on such Clearing Member).

Taking into account the size and nature of a Defaulting Clearing Member's positions, market conditions prevailing at the time, the potential market effects of liquidating transactions that might be directed by the Clearinghouse, and such other relevant circumstances, the DMC may determine that the closing out of some or all of the Defaulting Clearing Member's positions would not be in the best interests of the Clearinghouse, other Clearing Members, or the general public, such positions need not be closed out.

If the Margin held with respect to the Defaulting Clearing Member's Member Property Accounts, and other assets of such Clearing Member held by, pledged to or otherwise available to the Clearinghouse, including any guarantee issued pursuant to the Clearinghouse Rulebook, are insufficient to satisfy the Defaulting Clearing Member's Obligations to the Clearinghouse after giving effect to the application of such amounts pursuant to Clearinghouse Rule 502(d) such defaulting Clearing Member shall continue to be liable therefor.

In closing, offsetting, transferring or otherwise resolving the Contracts of a Clearing Member as provided in Clearinghouse Rules 502 and 601 the Clearinghouse shall have the rights set forth in Clearinghouse Rule 502.

The Clearinghouse will not apply any funds and assets held in segregated Customer Accounts to any obligations arising from a Default in a Clearing Member's House Account. In the event a Default occurs in the segregated Customer Account of a Clearing Member, any obligations shall be satisfied by application of any and all funds and assets held in said Clearing Member's Customer Account, in a manner consistent with CFTC Regulation 1.20. In the event the relevant FCM's customer funds and assets are insufficient, the customer obligations shortfall will be first covered from FCM Clearing Member's excess House funds.

The Clearinghouse may make immediate demand upon any guarantor of the Clearing Member. Upon demand, the guarantor shall pay the Clearinghouse by the time and date set by the Clearinghouse.

3.5.Method of Position Close Out

A detailed recommendation of the process to finalize a resolution with respect to a Default, including taking into consideration the effects of the liquidation, auction, tear- up, or sale of positions or assets of the Defaulting Clearing Member, shall be produced by the Head of Clearing or CRO and provided to the DMC for approval. The liquidation of open contracts of the Defaulting Clearing Member as determined by the DMC may occur by one or more of the following methods:

- book entry that offsets concurrent long and short open contracts on the books of the Defaulting Clearing Member;
- executing block trades with one or more Exchange Participants;
- hedging positions, where offsets are impractical due to the market illiquidity or volatility
- liquidation in the open market; and/or
- one or more private auctions amongst qualified market participants invited by the Clearinghouse to submit confidential bids.

When determining the appropriateness of the recommended method of portfolio liquidation, the DMC will take into consideration the Defaulting Clearing Member's position size, liquidity of the products and whether some are deemed less liquid than others, open interest, market conditions and other relevant factors. For products deemed to be highly liquid, notwithstanding the considerations as described above, the DMC may determine to attempt open market liquidation first. For products deemed less liquid, the DMC may determine to perform one, or some combination of entering into hedge positions, and/or pursuing liquidation through the other methods such as block trade and/or auctions.

3.6.Application of Funds

If positions are closed-out and the Clearinghouse bears a Default Loss, such Default Loss will be met by applying the following funds, as appropriate, in the order of priority listed below, with each source of funds to be completely exhausted, to the extent practicable, before applying the following source. The Clearinghouse will not apply any funds held in a Customer Account to a Loss in a Clearing Member's House Account.

1. Margins of the Defaulting Clearing Member on deposit with the Clearinghouse, payments made by a guarantor of the Defaulting Clearing Member, and any other assets of the Defaulting Clearing Member.
2. Excess funds of the Defaulting Clearing Member, including funds and assets in excess of requirements to collateralize fully collateralized positions, such as, but not limited to, any partial payment amounts, settlement funds, or variation gains.
3. Guaranty Fund Deposits of the Defaulting Clearing Member, as such deposits are required by the Rules of the Clearinghouse.
4. Such assets contributed by the Clearinghouse for the purpose of Default.
5. Such assets committed by Cboe Global Markets that have not yet been contributed to the Clearinghouse for the purpose of Default.

6. Guaranty Fund Deposits of non-defaulting Clearing Members shall be applied toward meeting a loss in direct proportion to the total Guaranty Fund deposit requirement of each Clearing Member as described in the Assessment section of this Plan, if such deposits are required by the Rules of the Clearinghouse.
7. Surplus funds of the Clearinghouse as may be in excess of funds necessary for normal business operations. No such surplus shall be assumed until approved by the Board.

The Clearinghouse may borrow funds or draw funds as necessary against any line of credit at any time to cover any Default Losses or obligations of the Clearinghouse. Any borrowing of funds shall not relieve any Clearing Member from their obligations under the DMP or any other Clearinghouse Rule or from the application of their Guaranty Fund Deposits.

The Clearinghouse may obtain and maintain any default insurance. To the extent the Clearinghouse deems it appropriate, it will utilize this financial resource in its sole discretion. Such insurance shall be for the sole benefit of the Clearinghouse and proceeds, and the right to any proceeds, shall be paid to and belong solely to the Clearinghouse.

Non-Default Losses may also be allocated to Clearing Member Guaranty Fund Deposits if approved by the Default Management Committee.

3.7. Guaranty Fund Contributions To Be Restored

In the event the Clearinghouse must apply all or part of a non-Defaulted FCM Clearing Member's Guaranty Fund deposits or margins to meet obligations imposed by the Clearinghouse, the Clearing Member shall make good any such deficiency in Guaranty Fund Deposits, by wire or other acceptable method, prior to the close of business on the next banking day. Notably, the deficiency in Guaranty Fund Deposits may reflect a re-sizing of the Default Financial Resource Requirement and re-allocation of Guaranty Fund Deposit requirements among the non-Defaulted FCM Clearing Members. If a non-Defaulted FCM Clearing Member pays such assessment by wire and the wire transfer service is not open or operational at the time notice is sent, payment is due within one (1) hour on the next business day that the wire transfer service is open and operational.

If Non-Default Losses are allocated to Clearing Member Guaranty Fund Deposits, then Clearing Members would be required to fund the resultant Guaranty Fund Requirement deficits within the same timeline described above.

3.8. Assessments

Default Losses will first be satisfied by applying the funds in the order of priority listed in Application of Funds. The balance of any losses remaining after the application of such funds will be assessed against all Clearing Members excluding any Insolvent Clearing Members.

Each applicable Clearing Member will be subject to an Assessment in direct proportion to the Clearing Members' total Guaranty Fund deposit requirement up to an amount that does not exceed (i) a total of three times such Clearing Member's total guaranty fund deposit requirement at the time of the default with respect to losses that are attributed to the default of a single Clearing Member, and (ii) a total of six times such Clearing Member's total guaranty fund deposit requirement at the time of the default with respect to losses that are attributed to the default of multiple Clearing Members during a Cooling Off Period as defined below.

Each Clearing Member shall pay any assessment required by wire or other method acceptable to the Clearinghouse by the end of the banking day on which the notice of the assessment is delivered to each Clearing Member. If a Clearing Member pays such assessment by wire and the wire transfer service is not open or operational at the time notice is sent, payment is due within one (1) hour on the next business day that the wire transfer service is open and operational. Any Clearing Member that does not satisfy an assessment shall be in default and shall be responsible for any Default Loss that occurs. In the event that the amount of assessments received exceeds the amount of the loss, the Clearinghouse will return such excess funds as soon as practicable.

3.9.Haircut Settlement Cycles

If one or more Clearing Members Default and the assets available to cover the Defaults, including the funds described above, are insufficient to satisfy the Default Loss and Obligations of the Clearinghouse as a result of such Default, then the Board, with input from RiskCo if required, approves the Clearinghouse to modify settlement cycles in accordance with CFTC Regulation 39.14.

Following the Board's approval, the Clearinghouse shall issue a notice and conduct a settlement cycle for all the Clearinghouse contracts to determine settlement prices for all contracts and the net portfolio gain or loss for each house and customer portfolio:

The net portfolio gain of a Clearing Member (a "collect"), or the net portfolio loss of a Clearing Member to the Clearinghouse (a "pay"), shall be determined separately for (i) its proprietary positions in the Clearinghouse contracts (a "Proprietary Collect" or a "Proprietary Pay"), and (ii) the net positions of its customers in Cboe Clear US contracts (collectively, a "Customer Collect" or a "Customer Pay").

The Clearinghouse shall determine and calculate the sum of (i) the amount of each non- defaulted Clearing Member's remaining payment obligations, if any, with respect to assessments levied by the Clearinghouse; (ii) any other remaining available funds or collateral; (iii) all Proprietary Pays to be received by the Clearinghouse; and (iv) all Customer Pays to be received by the Clearinghouse, and deduct the amount of any uncovered loss (the resulting amount, the "Aggregate Available Funds").

The Clearinghouse shall then notify each Clearing Member of the amount of its remaining assessments (if any), Proprietary Pay, and Customer Pay, and each Clearing Member shall pay all such amounts no later than the time required for the relevant settlement cycle. If a Clearing Member does not make such payment to the Clearinghouse, such Clearing Member will be in Default and the Clearinghouse may take any of the actions specified elsewhere in the Clearinghouse Rules with respect to such Clearing Member and its customers.

If the amount of Aggregate Available Funds received by the Clearinghouse exceeds the sum of all Proprietary Collects and Customer Collects, the Clearinghouse shall calculate reimbursements of, and distribute, the excess funds to Clearing Members in the reverse order funds were previously paid to the Clearinghouse, provided the loss has been fully addressed. Such reimbursements will be distributed pro rata to Clearing Members. The Clearinghouse may also determine a maximum amount to pay back for closed positions that may be included in the aggregate collects, based upon existing facts and circumstances that it deems appropriate to mitigate further disruptions to the markets.

If the sum of all Proprietary Collects and Customer Collects exceeds the amount of Aggregate Available Funds received, including any voluntary contributions received, then the following procedures will apply:

- The Clearinghouse shall haircut the amount of each Proprietary Collect and Customer Collect on a pro rata basis for the current, and each successive, settlement cycle for the next two (2) Business Days, unless a bankruptcy event has occurred, to equal the amount of Aggregate Available Funds received relative to the Proprietary Collect and Customer Collect (such process, a "Variation Margin Gains Haircut"). The Clearinghouse will haircut Customer Collects at the Customer Account level of each Clearing Member, and each Clearing Member will allocate such haircut pro rata among its customers with net portfolio gains for the relevant settlement cycle.
- After considering the existing facts and circumstances and the interests of the Clearinghouse's Clearing Members, the Board, in consultation with the RiskCo, may instruct the Clearinghouse to extend or reduce the number of days during which Variation Margin Gains Haircuts are applied by one or two Business Days. In no event may the Clearinghouse conduct Variation Margin Gains Haircuts for longer than five Business Days.
- Absent a bankruptcy event, for each settlement cycle conducted in accordance with these procedures, the Clearinghouse shall pay the haircutted Proprietary Collects and Customer Collects as soon as practicable after receipt of the Aggregate Available Funds.
- If a bankruptcy event occurs following a Clearing Member Default on a day during which Variation Margin Gains Haircuts are applied to settlement cycles, then on such day, the Clearinghouse will conduct a final settlement cycle which will also be subject to a Variation Margin Gains Haircut. The price determined in

accordance with such settlement cycle will be used as the price for close-out netting.

Notwithstanding anything to the contrary in this section, the funds and assets of a defaulting Clearing Member's customers will not be applied to cover losses with respect to a House default, per CFTC Regulation 39.16(c)(2)(v).

3.10. Partial & Full Tear-ups

Default Losses will first be satisfied by applying the funds in the order of priority as described in the Application of Funds section of this document and the use of Clearinghouse Assessments. In the event such measures are not sufficient to cover Default Losses, the Clearinghouse may implement a voluntary tear-up process and, if a voluntary tear-up is not sufficient to cover Default losses or the Clearinghouse otherwise determines it is appropriate, the Clearinghouse may implement a sanctioned partial tear-up process or determine to implement a full termination of all contracts.

Voluntary tear-up. The Clearinghouse may issue a notice to Clearing Members and Market Participants providing an opportunity to voluntarily agree to have one or more proprietary contracts or, with a customer's consent, to agree to have one or more of each of such customer's contracts that are opposite the remaining open positions of the Defaulted Clearing Member, extinguished by the Clearinghouse ("tear-up").

Sanctioned partial tear-up. The Board, through consultation with the RiskCo and the DMC, may determine that a sanctioned partial tear-up is appropriate and instruct the Clearinghouse to extinguish a portion of the remaining open positions of the Defaulted Clearing Member through a partial tear-up of proprietary and customer positions of non-defaulted Clearing Members and non-defaulted customers of the Defaulted Clearing Member. A partial tear-up may include, but is not limited to, a line-by-line tear-up against the remaining open positions of the Defaulted Clearing Member. In such event, the RiskCo will review and provide recommendations to the Board who will determine the appropriate scope of each partial tear-up in accordance with the following procedures.

Sanctioned full tear-up. The Board may determine that, instead of implementing a sanctioned partial tear-up process, it is appropriate for the Clearinghouse to conduct a full tear-up of all contracts, taking into consideration any recommendation by the Board and the DMC. Such determination, and any recommendation, will (i) be based upon then existing facts and circumstances; (ii) support the integrity of the Clearinghouse and the stability of the financial system; (iii) take into consideration the interests of Clearing Members and Market Participants; and (iv) aim to extinguish the Defaulted Clearing Member's open proprietary and customer positions and any additional positions deemed necessary to mitigate further disruptions to the markets affected by the remaining open positions of the Defaulted Clearing Member.

If any proprietary or customer positions of a Defaulted Clearing Member remain open following the last Variation Margin Gains Haircut settlement cycle, then the Clearinghouse will conduct a partial tear-up process of proprietary and customer positions of non-defaulted Clearing Members and non-defaulted customers of the Defaulted Clearing Member, provided that the Board, with input from the RiskCo shall determine the appropriate scope of the tear-up. In this situation, the Clearinghouse would proportionately extinguish contracts held by non-defaulted Clearing Members, their non-defaulted customers, and the non-defaulted customers of the Defaulted Clearing Member that are opposite the Defaulted Clearing Member's remaining open positions relative to the size of such remaining open positions.

In the event that the Board mandates a full tear-up of contracts or if, after taking any or all of the measures allowed in this section to address a Clearing Member Default or Insolvency, the Clearinghouse determines that it still will be unable to satisfy all losses or cover a settlement variation payment obligation when due (without expectation of accessing funds that would permit it to cover such payment obligation), then the Clearinghouse will terminate all contracts in accordance with these procedures. As soon as reasonably practicable, and in a manner consistent with

the Commodity Exchange Act and the regulations adopted thereunder, the Clearinghouse will fix a U.S. dollar amount to be paid to or received from the Clearinghouse in respect of all contracts to be terminated by conducting a haircut settlement cycle to determine a final settlement price for all open contracts.

Upon the completion of payments, all Clearinghouse contracts shall be extinguished, and the Clearinghouse shall have no further access to funds or collateral with respect to such contracts or clearing activity of a non-Defaulting Clearing Member. Clearing Members, their affiliates, and their customers shall have no claim against the Clearinghouse with respect to losses suffered as a result of the application of the Clearinghouse Rules, nor shall any beneficial holder of a Contract have any claim against non-defaulting Clearing Members.

3.11. Cooling Off Period And Multiple Defaults

If more than one Clearing Member Default occurs at a time or in close sequence, including a Default that occurs by reason of a Clearing Member's failure to satisfy an assessment demand, the Clearinghouse will manage the Defaults separately.

Upon any Default, during the Cooling Off Period, as defined below, non-defaulting Clearing Members will be subject to a maximum obligation to pay assessments as described in the Assessments requirement and the maximum obligation of all Members shall be restricted to the special assessment limit as described in Assessments requirement. These maximums shall apply from the date of the original default until the later of (i) the fifth Business Day thereafter and (ii) if another Clearing Member defaults during the five Business Days following the initial or any subsequent default, the fifth Business Day following the last such default (such period, the "Cooling Off Period"), regardless of the number of Defaults that occur during such Cooling Off Period.

The aggregate maximum contribution that may be required pursuant to the Assessments requirement, for the Cooling Off Period, shall be based upon each Clearing Member's total Guaranty Fund deposit requirement in effect at the commencement of the Cooling Off Period. The maximum does not limit Clearing Members' obligations to restore their Guaranty Fund contributions or margins, and performance bonds as set forth in the Collateral to be Restored section. Following a Cooling Off Period, the Clearinghouse shall notify each Clearing Member of its Guaranty Fund deposit requirement and its assessment exposure.

The Clearinghouse Default Financial Resource contribution shall be limited during the Cooling Off Period, as decided by the Board, in consultation with the RiskCo if required. The Board may, at its discretion, authorize additional funds to be added to the Clearinghouse's Default Financial Resources contribution during the Cooling Off Period.

4. Questions/Ownership

The Cboe Clear US Risk Management Department owns this Policy. Questions pertaining to this Policy should be directed to clearus.risk@cboe.com.