

EUROPEAN CENTRAL COUNTERPARTY LIMITED
(EuroCCP)

PROCEDURES

PROCEDURE I. INTRODUCTION

These Procedures have been adopted under the Rules of the Corporation, and relate to services offered by the Corporation in respect of transactions received from an Approved Entity, unless otherwise specified.

Each term used in these Procedures shall have the same meaning specified in the Rules, unless it is defined in a Procedure, in which case it shall have the meaning specified in the Procedure.

All references to a “day”, “yesterday”, “today” and similar references herein refer to settlement days at the relevant settlement location, unless specified as “Business Days” or “calendar days”, or the context otherwise requires. Terms used in any form, document, or instruction referred to herein shall have the same meaning as they have in the Rules and these Procedures.

Wherever in these Procedures the Corporation is to effectuate an action (Buy-In execution, splitting, processing a Corporate Action event, etc.) by cancelling existing settlement instructions and issuing new or revised settlement instructions, Participants are reminded of their obligations in Rule 8. In particular, unless EuroCCP has been provided a power of attorney (i.e. Settlement Authority) with respect to the Participant’s accounts, the Participant must initiate all settlement instructions and cancellations with their Settlement Entity directly. Where EuroCCP has a Settlement Authority with the Participant’s Agent, then the Participant must ensure that its Participant’s Agent, upon receiving such settlement instructions (including cancellation instructions) from the Corporation under the Settlement Authority, matches the applicable settlement instruction in the Relevant Securities Depository in a timely manner so as to enable the settlement (or cancellation) of the relevant Settlement Obligations to occur in the standard settlement cycle on the intended settlement date.

PROCEDURE II. BUY-INS

Except as otherwise provided for within these Rules and except as otherwise set forth below, in the event that a Participant has failed to fulfil its delivery obligation within the timeframe determined by the Corporation (a Participant with a “Failed Short Position”), the Corporation will initiate procedures to Buy-In such Participant (or *Participants*, as the case may be) on a mandatory basis, without prior notice to such Participant(s) and through such agent as the Corporation in its sole discretion may elect. (The Corporation will endeavour, but not be obligated, to issue Buy-In notifications to encourage settlement prior to Buy-In execution date, but a Buy-In will take place irrespective of whether a Buy-In notice has been issued.) Unless and until such time as these Procedures are revised, Participants may not initiate Buy-Ins against the Corporation.

a) Buy-In executions will take place within the timeframe determined by the Corporation from time to time as set forth in the Buy-In Schedule. The date on which the Corporation may Buy-In the Failed Short Position(s) will be referred to as the “**Execution Date**”, and the instruction to purchase the Failed Short Position(s) shall be referred to as the “**Buy-In Order**”. Execution Dates are determined by the Corporation and vary depending upon a local market rule as determined by the Corporation in its sole discretion. In instances where a local market rule does not apply, the Corporation shall determine the Execution Date.

To the extent that the Buy-In rules of a local market designated by the Corporation are changed, until such time as the Corporation’s Buy-In Schedule appended to this Procedure is modified, the timeframes utilised by the Corporation in the Buy-In Schedule shall prevail. Participants will be advised of modifications to the Buy-In Schedule by Important Notice.

Buy-In Orders shall be executed by the Corporation through such agents as it shall elect (although the Corporation shall endeavour to execute the Buy-in through an agent who has the position in its settlement account at the Relevant Depository and who can therefore deliver on a T+1 basis). All Buy-In executions shall be subject to the Rules of the Corporation, and shall be non-netted transactions.

b) At such time as determined by the Corporation, the Corporation will (i) place its Buy-In Order, and (ii), submit cancellation instructions to the appropriate Settlement Entity on behalf of the Participant(s) with the Failed Short Position(s).

c) The Buy-In Order will have a limit price of 120% of (i) the last publicly available closing price for such Eligible Instrument on the principal stock exchange where the Eligible Instrument is (or was) listed, or (ii) the original value of the Failed Short Position(s) as

indicated in the original settlement instructions, whichever is greater (the **“Buy-In Limit Price”**).

d) If the Buy-In cannot be executed on the Buy-In Execution Date then, depending on the Buy-In schedule appended to this Procedure, execution will either be postponed to the next Execution Date specified in the schedule (and the Corporation may continue to attempt to execute the Buy-In on subsequent days thereafter), or the Buy-In may be satisfied through a cash compensation payment as described below. Where the Buy-In schedule indicates a postponement of more than 1 day, the failing short position will be re-instructed and re-matched at the CSD after trading closes, in that particular market.

Where the Corporation is unable to Buy-In the Failed Short Position(s) or if, in the opinion of the Corporation, such Buy-In is not reasonably practical (whether due to unavailability of the Eligible Instrument or otherwise), the Corporation may elect to make a cash payment to the Participant with the Failed Long Position, with a corresponding cash debit to the Participant(s) with the Failed Short Position(s) (the **“Buy-In Discharge Payment”**). In calculating a Buy-In Discharge Payment, the Corporation shall utilise an amount equal to the Buy-In Limit Price. The corresponding Failed Long Position will be adjusted accordingly. Upon payment of the Buy-In Discharge Payment, the underlying obligation shall be deemed satisfied and discharged.

e) Upon execution of the Buy-In Order, the Corporation shall notify the Participant(s) with the Failed Short Position(s) of such Buy-In execution by issuing a Buy-In Confirmation. The Buy-In Confirmation will provide such information pertaining to the Buy-In execution as the Corporation may determine from time to time.

f) In the event that the Failed Short Participant(s) delivers securities to the Corporation after the Corporation has initiated its Buy-In procedures, the Corporation reserves the right to return such securities back to the Failed Short Participant(s).

g) The Corporation may determine not to Buy-In Failed Short Position(s) on designated Execution Dates in instances where the Eligible Instrument is undergoing a voluntary corporate action; however, the Participant(s) with the Failed Short Position(s) will be held liable for the terms of such corporate action. The Corporation reserves the right to not Buy-In Failed Short Positions in instances where other types of pending corporate actions or market conditions are such that, in the sole discretion of the Corporation, to do so would be detrimental to the Corporation.

h) Participants with Failed Short Positions that are the subject of Buy-Ins by the Corporation shall be responsible for all fees and charges associated with such positions, including any associated fees

charged to the Corporation by a Relevant Securities Depository, the Corporation's Settlement Agent, or any other entity. Such fees and charges may appear on the Participant's Buy-In Confirmation (if known at that time), and/or on the Participant's monthly statement of charges.

EuroCCP Buy-In Schedule

Country	Local Market Rule	Cancellation Date of Failing Instruction ¹	Execution Date ²
Austria	CCP.A	SD+3	SD+4
Belgium, France, Netherlands, Portugal	LCH.Clearent S.A.	SD+7	SD+8
Czech Republic	Prague Stock Exchange	SD+6	SD+6
Denmark, Sweden and Finland	EMCF	SD+7	SD+8.
Germany	Eurex	SD+5	SD+5. If unsuccessful subsequent Execution Dates will be SD + 10, SD + 28, SD + 30.
Hungary	Keler	SD+2	SD+2
Ireland	Eurex	SD+14	SD+15. If unsuccessful, then on SD+18; If still unsuccessful SD+20.
Italy	CC&G	SD+7	SD+8. If unsuccessful SD+9. If still unsuccessful SD+10.
Norway	EuroCCP	SD+15	SD+16
Spain ³	Iberclear	SD+4	SD+4
Switzerland	x-Clear	SD+4	SD+4
United Kingdom	LCH.Clearent Ltd	SD+34	SD+35
United States	EuroCCP	SD+6 ⁴	SD+7
Depository Receipts settling in Euroclear Bank	LCH.Clearent Ltd	SD+34	SD+35

¹ Cancelled after the last settlement cycle. Cancellation of the failing instruction does not affect the Participant's underlying delivery obligations.

² Notwithstanding the dates specified in this column, if the Corporation is unable to execute the Buy-In on the specified Execution Date or Dates, it may nevertheless continue to attempt to execute the Buy-In on subsequent days, or it may elect to pay a Buy-In Discharge Payment.

³ EuroCCP operates a facility where settlement obligations that are not pre-advised, fully matched or settled at Iberclear by the requisite deadlines are re-input into the settlement cycle by EuroCCP. Accordingly, EuroCCP will execute a Buy-In in the event of a failure to match or settle an instruction after the end of that recycle period.

⁴ DTC, the US CSD, does not automatically reintroduce failing transactions. Instead DTC "drops" failing transactions at the end of each day and Participants failing to deliver must resubmit failing transactions for processing the next business day. Deliveries to EuroCCP failing on SD+6 should not be reintroduced to DTC for processing on SD+7.

PROCEDURE III. SPLITTING AND RELATED MATTERS

To assist the Corporation in reducing over-night financing costs and risks associated with failed Participant Delivery Obligations, the Corporation may divide a Participant's unsettled Long Position in an Eligible Instrument into multiple Long Positions ("**splitting**").

Each Business Day, at such times and within such timeframes as determined by the Corporation from time to time¹, the Corporation shall determine if it has a temporary custody position as a result of receiving allocations or deliveries of shares from one or more Participants with a Short Position, comprising part (but not all) of a pending Delivery Obligation of the Corporation that exceeds €50,000 or its equivalent in other currency (or such other amount as the Corporation may from time to time determine based upon local market conditions) at a Relevant Securities Depository, and that has not yet been allocated to a Participant with the relevant Long Position (a "**Box**" or "**Custody**" Position).

To identify the unsettled Long Position to be split (and thereby enable the Box Position to be delivered out), the Corporation shall:

1. Identify all pending Long Positions in the same ISIN, in the same Relevant Securities Depository that will settle in the same currency as the Box Position.
2. From this list, the Corporation shall split the oldest pending Long Position where the number of shares to be delivered by the Corporation exceeds the shares comprising the Corporation's Box Position (the "**Original Long Position**") into multiple Receive Entitlements. Where there are multiple pending Long Positions with the same settlement date, the Corporation shall split the Long Position where the quantity to be received is closest to, but still exceeds, that of the Box Position. Where there are multiple pending Long Positions with the same settlement date and the same quantity to be received, the Corporation's system shall determine the Long Positions to be split on a random basis.

Once the pending Long Position to be split is identified, the Corporation shall:

1. Cancel the Original Long Position of the applicable Participant at the Relevant Securities Depository;
2. Create two new (replacement) Long Positions for the affected Participant at the Relevant Securities Depository which, in the aggregate, equal the Original Long Position so cancelled ("**New Long Positions**"); the first New Long Position shall be for the

¹ As determined by the Corporation in its sole discretion, splitting may be performed more than once each Business Day, or not at all.

number of shares equal to that of the Corporation's Box Position, and the second New Long Position shall be equal to the difference between the Original Long Position and the Corporation's Box Position.

3. For each New Long Position, the Corporation shall instruct the affected Participant's Agent or its relevant Settlement Entity to credit the Participant's account with the relevant Eligible Instruments in satisfaction of the Participant's Receive Entitlement and debit the Participant for any corresponding Payment Obligation.

The Corporation shall determine the affected Participant's Payment Obligation associated with each New Long Position by using the same price per share associated with the Original Long Position, multiplied by the share quantity of the New Long Position. If such calculation results in New Long Positions with fractional values, the Corporation shall use standard rounding formulas to calculate the settlement amounts. The sum of the values associated with the New Long Positions shall always be equal to the value of the Original (canceled) Long Position. Where the affected Participant's Original Long Position was a free of payment obligation (e.g., where the original settlement value, due to netting, was zero) the Corporation shall create New Long Positions which are also free of payment.

All activity related to Splitting shall be reported to Participants on Reports or in other transaction output provided by the Corporation. Such Reports or output shall include such detail as determined by the Corporation from time to time, and shall identify the Original Long Position associated with each New Long Position.

The Corporation reserves the right at any time to cease splitting in any one or more markets (or with respect to any Eligible Instrument due to a corporate action event or otherwise) as it deems appropriate, and instead avail itself the rights provided in the Rules including, but not limited to, shaping Delivery Obligations and Receive Entitlements as permitted in Rule 7, Section 3.²

Given that the splitting provided for in this Procedure will only apply to Original Long Positions with a settlement value over the amount specified per market as described above, it is possible that the Corporation will have overnight Box Positions from time to time on smaller transactions. Moreover, notwithstanding any splitting of larger positions, it remains possible, due to the settlement allocation procedures applied by a Relevant Securities Depository, that the Corporation will, from time to time, have overnight Box or Custody Positions resulting from larger netted positions. All (i) costs of splitting

² Participants are also advised that the Corporation will not entertain claims issued as a result of the splitting process. For example, if a cancellation does not complete at the Relevant Securities Depository and, as a result, the Corporation delivers duplicate obligations to a Participant, the Participant may have to fund securities overnight. In this instance, the Participant cannot initiate a claim to the Corporation for the cost of the carry.

(including the Corporation's Settlement Agent's cancellation charges), and (ii) financing costs incurred by the Corporation as a result of its holding any Box Position in an Eligible Instrument, shall be allocated and charged to Participants in the manner and as provided in the Fee Schedule from time to time.

PROCEDURE IV. CORPORATE ACTIONS AND RELATED MATTERS

This Procedure describes interactions between Participants and the Corporation with respect to events giving rise to “**Corporate Actions**”. These events include “**Mandatory Events**” (which may include, but are not necessarily limited to, dividends or other cash distributions, stock dividends, stock splits, share capitalizations or mandatory transformations), and “**Voluntary Events**” (which may include, but are not necessarily limited to, rights subscriptions, options, and tender and exchange offers). As Corporate Actions, both Mandatory and Voluntary Events are encompassed within the meaning of “**Corporate Rights**,” as defined in Rule 7, Section 16 of the Rules. This Procedure is made pursuant to Rule 7, Section 16.10 of the Rules, and to the extent that anything in this Procedure is inconsistent with Rule 7, Section 16, this Procedure will prevail. In all other respects, Rule 7, Section 16 will apply. Participants should note, however, notwithstanding the provisions of Section 16 of Rule 7, the Corporation will not process voting rights, nor be accountable for any Corporate Right consisting of a right to vote or assent to any matter.

Certain key dates and deadlines relating to Corporate Action events referred to in this Procedure have the meanings set forth in the Glossary annexed to this Procedure as Appendix A.

1. GENERAL PROVISIONS

Each Participant and, if applicable, its Participant Agent (referred to in this Procedure as a “**Settlement Agent**”¹) are solely responsible for being aware of and following the specific market practices, including the settlement practices of each Relevant Securities Depository (“RSD”) where transactions will settle, for each local market.

The Corporation does not provide Participants with notifications of Corporate Action events. Participants should continue to rely upon their current providers for this service.

Participants should view the Corporation as they would any other counterparty to a trade in Eligible Instruments with respect to which a Corporate Action event has been announced. The Corporation’s obligations respecting unsettled transactions are set forth in its Rules². Except as otherwise provided in this Procedure or the Rules, each Participant and its

¹ Unless the context otherwise requires, the term “Settlement Agent” is used throughout this Procedure to include a Participant that settles its obligations in a Relevant Securities Depository directly, such as a credit institution that acts as its own settling bank.

² In particular, where the processing of a Corporate Action event requires the cancelling and rebooking of obligations (for example, to reflect the exchange of one security for another) the rebooked obligations will be subject to the provisions of the Rules and the Procedures.

Settlement Agent are solely responsible for the notification, satisfaction and reconciliation of any entitlement that is the result of a Corporate Action event.

Where a General Clearing Participant has undertaken to settle transactions in any market through a Non-Clearing Firm, the General Clearing Participant shall remain directly responsible for compliance with this Procedure, including the timely submission of any instructions permitted herein to be given by a Participant, and any Corporate Action liability allocated to a Participant as provided herein. To the extent that the processing of any Corporate Action described below relies on actions to be taken by a Participant's Settlement Agent, the Non-Clearing Firm (or its settling bank, if applicable) shall be treated as the General Clearing Participant's Settlement Agent for such purposes, in accordance with the Rules and the Direct NCF-Settlement Authority provided by the General Clearing Participant for the relevant market, and the General Clearing Participant shall be fully responsible for all actions or failures to act by such entity.

2. MANDATORY EVENTS

All open obligations (both Failed Settlement Positions as well as positions that have not yet reached their scheduled settlement dates) are subject to Mandatory Events.

A. MANDATORY TRANSFORMATIONS

Mandatory transformations include reverse stock splits, and mandatory exchanges, such as conversions, name changes, mergers, and redenominations.

Where a corporate action results in converting holdings from one Eligible Instrument to another with a different ISIN (e.g., mergers and mandatory exchanges), all open obligations between the Corporation and Participants shall be cancelled (where required by local market rules) and replaced by obligations in the new Eligible Instrument, pursuant to the terms of the Mandatory Event. In some markets, this is done automatically by the Relevant Securities Depository. In those instances, the Corporation will, upon confirmation of the terms of the Mandatory Event, update its records to transform the open Long and Short Positions in process of clearance and settlement in accordance with the terms of the event. In those markets where the Relevant Securities Depository does not automatically transform pending settlement instructions to reflect the Mandatory Event (whether for the ordinary shares or for depository receipts), Participants, or their Settlement Agents, as applicable, are expected to cancel pending settlement instructions and replace them with new instructions reflecting the Mandatory Event, in accordance with the procedures established by the Relevant Securities Depository.³

³ With respect to pending transactions in Italian equities only, in accordance with our understanding of local market practice, Monte Titoli, as the Relevant Securities Depository, will automatically cancel all pending instructions subject to the mandatory transformation, and the Corporation will instruct the contra Participants' Settlement Agents to create new settlement instructions reflecting the

B. MANDATORY DISTRIBUTION ENTITLEMENTS

Mandatory distribution entitlements represent cash or other assets that the issuer of the underlying stock is distributing to holders of its stock as of a certain date. These include cash dividends, extra shares as a result of a stock dividend, scrip, bonus share distribution or stock split, shares in a new company as the result of a spin-off and rights that enable the holders to purchase additional shares of the underlying stock at a set subscription price.

The key date as regards to the Corporation's involvement with these types of events is generally the "Ex-Date". For all open transactions that have not settled in the relevant market, whether fails or pending transactions, but which were executed (i.e. with a Trade Date) prior to the Ex-Date, the Participant with the Long Position/Receive Entitlement (referred to as the "**Long Participant**") is entitled to the benefit to be paid later, on the Payment Date. (This will be the case even in those instances where the Ex-Date is announced as a date materially later than the Record Date). Transactions executed on or after the Ex-Date carry no benefit entitlement to the Long Participant. In those instances, neither the Corporation nor its Settlement Agent is involved in any processing of the distribution entitlements.

Generally, the schedule for mandatory distribution entitlements (and other events that have a Record and Ex-Date) is as follows:

- On Ex-Date, the entitlement is struck and the price of future trades now reflects the absence of the entitlements.
- On Record Date, the asset register positions are taken and the issuer uses these positions on which to allocate entitlements.
- Entitlements are paid on Pay Date to the holders as of the close of business on the Record Date.
- If Record Date positions differ from Ex-Date positions, due to open transactions as described above, then claims are raised in the market to pass the entitlement to the correct beneficiary (Ex-Date holder).
- Generally, the Ex-Date is determined by the primary market where the security is traded; in the case of depositary receipts, the Corporation will use the Ex-Date specified by the primary market, as determined by the Corporation, where the depositary receipt is traded.

Claims Processing and Tax Considerations. Consistent with local market practices, if the Corporation has fails or pending transactions in an Eligible Instrument that is subject to a mandatory entitlement, either the Relevant Securities Depository (in those markets where they automatically process the compensation/distribution) or the Corporation's Settlement Agent (in those markets where the Settlement Agents process claims directly amongst themselves) will update, as appropriate, the positions to reflect the cash or position entitlements, crediting and debiting the affected accounts

transformation. With respect to depositary receipts settling in Euroclear Bank, the Corporation will instruct the cancellation and re-booking where it is able to do so through a power of attorney.

maintained by the Corporation's Settlement Agent and Participants' Settlement Agents. All such processing—including cash claims processing and collection-- is done outside of the Corporation, either by the Relevant Securities Depository, or directly between the Corporation's Settlement Agent and the Settlement Agents for the affected Participants. Similarly, the timing of compensation processing will be determined in accordance with local market practices. However, when the entitlement is a security such as additional shares relating to a stock split, the existing open obligations between the Corporation and the Participant will be adjusted to reflect the increased quantity of shares.⁴

As dividend/cash entitlements are subject to tax withholding in the relevant markets, market practices have developed whereby Settlement Agents claiming each other for cash entitlements on open settlement positions claim each other on a net-of-tax basis, using the same tax rate. Accordingly, the Corporation's Settlement Agent will utilize the following net tax rates ("**Net Rates**") with respect to claims processing; that is, the Net Rate at which the Corporation's Settlement Agent will claim cash compensation from the Settlement Agents of Participants with open or failed positions owed to the Corporation ("**Short Participants**"), and the Net Rate at which it will honor claims of Settlement Agents acting on behalf of Long Participants:

Market	Net Rate
Austria	75%
Belgium	75%
Czech Republic	85%
Denmark	72%
Finland	72%
France	100%
Germany	78.9%
Hungary	100%
Ireland	80%
Italy	(see exception discussion following)
Netherlands	85%
Portugal	100% (up to 15 th of month following payment date, then 78.5%)
Spain	82%
Sweden	100%
UK	100%
Norway	75% (or 85% if "buyer" is due that rate. In such case the Corporation obtains 10% refund)
Switzerland	65%
United States	100% (subject to completion of Form W-9 – see below)

For depository receipts settling at Euroclear Bank, the Corporation or its Settlement Agent will claim cash compensation from the Settlement Agents

⁴ With respect to trades in Italian equities only, in accordance with current local market practice, the Corporation shall cancel the fail and create new obligations and settlement instructions.

of Short Participants at a Net Rate determined after deduction of (i) the applicable statutory withholding of the tax regime governing the underlying ordinary shares as announced by the Depositary Receipt Agent, plus (ii) any associated depositary receipt fees and charges. The Corporation or its Settlement Agent will pay such net amount to the Settlement Agents acting on behalf of Long Participants.

For depositary receipts settling at DTC, automatic compensation will be paid at the rate determined by DTC's fail tracking system.

All such Net Rates are subject to adjustment, from time to time, as necessary to reflect changes in (i) applicable Tax laws and regulations, and (ii) relevant market practices. The Corporation will notify Participants of such changes via Important Notice. Disputes with respect to the foregoing Net Rates, including any claims for tax refunds, must be pursued through the Participant's Settlement Agent directly, and not through the Corporation.

Cash dividends on US securities will be paid at 100%, so long as the Corporation holds a completed Form W-9 on file from either the US Settlement Agent acting on behalf of the Participant or its designated Tax Withholding Agent (which shall be a US entity and DTC Participant).

Exception Market—Processing of Italian Dividends

When the Corporation commences clearance and settlement of Italian equities, it will initially be considered as operating on an over-the-counter basis, and the procedure that Monte Titoli, as the Relevant Securities Depository, would normally apply to the processing of dividends on exchange-traded securities will not apply. Accordingly, until such time as the Corporation's transactions are treated similarly to exchange-traded transactions in the Italian markets, the Corporation has adopted the following process, designed to mimic the on-exchange market and discourage its transactions from being the "cheaper market" to fail in:

1. To avoid the potential loss on Custody or Box positions, the Corporation will initiate "shaping"⁵ on all Italian equities commencing 10 Business Days prior to the Ex-date for the relevant dividend.
2. To mimic the local market⁶, the Corporation will cancel both the Fail Short and Long positions in the applicable security, by issuing

⁵ The term "shaping" (generally provided for in Rule 7, Section 3) refers to the process whereby the Corporation minimizes the possibility of its having a Custody or Box position (generally, and in this case arising during the period prior to the Record and Payment Dates). During this time the Corporation will shape the settlement instructions for net Long Participants to mirror the netted settlement obligations of Short Participants. This may result in a net Long Participant having more than one settlement instruction resulting from a single trade date net position.

⁶ For on-exchange Italian equity cum-distribution trades failing over Record Date, the current market practice is not to pass the dividend from the seller to the buyer. Rather Monte Titoli cancels the transaction, and assesses the failing seller a penalty (as from March 2008 equal to 103.56% of the

cancellation instructions to the Participants' Settlement Agents and to its Settlement Agent, and rebooking the obligations with 103.56% (or the then applicable market penalty rate) of the dividend deducted from the settlement obligation proceeds.

3. Any loss incurred by the Corporation as a result of its holding a Box Position over Record or Payment Date, including as a result of any penalties charged by Monte Titoli or as a result of withholding tax imposed on that position, will be allocated and charged to Participants as provided in Section 4 (Allocation of Losses) below.

Exception Market – Processing of Spanish Entitlements on re-input of trades under the Iberclear Title V Regulations

Trades that fail to match or settle by the cut-off times prescribed by Iberclear under the Title V regulations (as described in Procedure IX) will be re-input by the Corporation with a new trade and settlement date at Iberclear using a T+3 settlement cycle. Please note this recycle process is for the purpose of settlement only.

If a Corporate Action event occurs over the intended trade and settlement period, then the Corporation will continue to monitor the entitlement obligation against the **original** intended trade date in order to calculate entitlements or liabilities due to the relevant Participant. The trade and settlement date of the rebooked trade will not be acted on for the purposes of corporate action entitlement.

C. MANDATORY EVENTS WITH ELECTIONS

In some instances, a mandatory distribution entitlement will contain an optional component that requires the election of the holder. In the absence of an election, the holder will receive the default distribution. Participants are advised that, except as provided below, the Corporation will not accept elections on these events and, through its Settlement Agent, will apply the default option when processing claims on entitlements on open/failed trades. Such events include dividends with an option to receive either cash or stock, and optional dividends. In the UK and Ireland, any events not supported by the Crest ACON service will receive the default option, as the Corporation will not accept liability notices outside ACON. Accordingly, the Corporation will process these events in the same manner as it processes distributions without options.

An exception to the foregoing rule will apply in the case of (i) optional dividends on Netherlands or French securities when a separate coupon line (different ISIN) is used for the entitlement and is expiring, and the underlying fail over the Record Date that gave rise to the claim is still not settled, and (ii) certain optional dividends with respect to depositary receipts, as may be announced by the Corporation via Important Notice. In these instances, a

declared dividend) which, in turn, is passed to the buyer upon settlement in the form of a reduction to the net transaction proceeds.

Long Participant to whom the Corporation is failing to deliver the underlying securities can issue a liability notice to the Corporation if it wishes to receive the non-default option. Procedures for retransmitting liability to Short Participants failing to deliver the underlying shares to the Corporation and debiting/crediting the election proceeds are similar to those used for rights (see Section E of this Procedure on “Rights Subscription Expirations”).

3. VOLUNTARY EVENTS

The Corporation shall establish the last qualifying trade and settlement date for Corporate Actions event liability protection in accordance with the terms of the offer.

It should be noted that all Failed Short Positions are subject to potential liability for Voluntary Events, including a Short Participant that has failed to match its settlement obligation. Accordingly, Participants holding failed Short Positions (“**Failing Short Participants**”) may be required to account for the Corporate Action associated with the subject event in accordance with the Corporation’s Rules.

Participants with Failed Long Positions (“**Failing Long Participants**”) that have not received their positions after the last settlement cycle on the last qualifying settlement date in the relevant market and that choose to participate in the offer, must submit a liability notice to the Corporation (a “**Liability Request Notice**”), in Prescribed Form and through such methods as the Corporation may specify from time to time. A Liability Request Notice must be submitted within the timeframes described in the subsections below unless, with respect to any particular Voluntary Event, the Corporation has issued an Important Notice specifying a different cutoff time as applicable to that event (the “**Liability Request Deadline**”).^{7,8} The Corporation shall pass on such liability notices to the Short Participants, using an allocation algorithm based upon the oldest Failed Short Positions which, in the aggregate have equal offsetting quantities, with the oldest Failed Short Position allocated first (the “**Allocation Algorithm**”).

Any Participant that has a Failed Short Position (“**Failing Short Participant**”) and has not settled such position by the last settlement cycle on the last qualifying settlement date may be liable for the proceeds of the offer or other actions (eg., buy-in) that may result from its failure to deliver, as provided in the Rules.

⁷ Processing of Voluntary Events within the United Kingdom and Ireland are subject to the processing requirements established by CREST ACON. A summary of these procedures, together with specific requirements to be applied by the Corporation and its Settlement Agent, are provided at Appendix B to this Procedure.

⁸ With respect to depositary receipts, in the absence of an Important Notice specifying a cut-off time for a particular Corporate Action event, the applicable Liability Request Deadline will be 9:00 a.m. London time on the date that is two days prior to the RSD’s cut-off date (“RSD-2”).

Upon receipt of Liability Request Notices from Failing Long Participants by the applicable cutoff time, the Corporation shall allocate liability to Failing Short Participants using the Allocation Algorithm by the close of business (5 p.m. London time) on Acceptance End /Deposit Date (as applicable) + 1 (the “**Liability Allocation Deadline**”).^{9,10}

A. BEGINNING OF OFFER/ACCEPTANCE PERIOD (BOTH OFFERS WITH AND WITHOUT AN INVENTORY DELIVERY PERIOD)

In order to mitigate the risk associated with the Corporation’s having overnight Custody or Box Positions because of its inability to make partial deliveries in a particular market, it shall:

1. Initiate shaping of clearance obligations for the target Eligible Instrument upon notification of the Voluntary Event¹¹; and
2. As long as the Corporation believes that split obligations in the target Eligible Instrument can be delivered out, continue splitting obligations for such Eligible Instrument, as provided in Procedure III (but without any minimum value requirement).

B. ACCEPTANCE DATE (OFFERS WITH NO INVENTORY DELIVERY PERIOD)

Failing Long Participants wishing to accept the offer may submit a Liability Request Notice to the Corporation by the Liability Request Deadline which, for offers of this type, is 9:00 a.m. (London time) on Acceptance Date +1 (or RSD-2 for depositary receipts). The notice shall contain such information as the Corporation may determine appropriate, and shall indicate the exact quantity of shares for which the Corporation will be held liable with respect to the offer.

Upon receipt of Liability Request Notices from Failing Long Participants, the Corporation shall allocate the noticed liability to Failing Short Participants using the Allocation Algorithm, and issue liability notices (“**Liability Allocation Notices**”) to the affected Failing Short Participants by the Liability Allocation Deadline.

The Corporation shall submit cancellation instructions (i) to the Settlement Agents for the those Failing Long Participants covering all associated Failed Long Positions for which the Corporation has received

⁹ For depositary receipts, the Liability Allocation Deadline will be 11:00 a.m. London time on the RSD’s cut-off date, unless otherwise specified by Important Notice for a particular event.

¹⁰ The Corporation shall endeavor (but shall not be required) to notify those Short Participants to whom liability is allocated prior to such cutoff time. The Corporation may, if it reasonably determines that circumstances warrant, accept a Liability Request Notice after the applicable cutoff time, in which case (and notwithstanding any Liability Allocation Deadline) that liability shall be allocated to Failing Short Participants in accordance with the Allocation Algorithm as promptly as practicable thereafter.

¹¹ The Corporation will issue Important Notices indicating all Eligible Instruments subject to shaping.

timely Liability Request Notices as promptly as practicable after receipt thereof (and where the Participant is acting as its own Settlement Agent, it shall be required to submit such cancellation instructions to the Settlement Entity directly promptly upon timely submission to the Corporation of its Liability Request Notice), and (ii) to the Settlement Agents for those Failing Short Participants to whom liability has been retransmitted, as promptly as practicable after allocating such Liability (and where such Failing Short Participant is acting as its own Settlement Agent, it shall be required to submit such cancellation instructions directly to the Settlement Entity promptly upon receipt of its Liability Allocation Notice). If any transactions that are subject to cancellation are not either matched and/or cancelled prior to being settled after Acceptance Date, the transactions will be reversed by the Corporation, and the affected Participant must then match new settlement instructions with the Corporation, through their respective Settlement Agents.

In the event the Corporation maintains a Custody Position after the Relevant Security Depository's settlement close on Acceptance Date, and the quantity of Liability Request Notices received from Failing Long Participants exceeds the quantity of Failed Short Positions owed to the Corporation by Failing Short Participants, the Corporation shall endeavor (if time and local market practice permits), via its Settlement Entity, to tender its Custody Position for the appropriate quantity. If it is unable to do so, any loss incurred by the Corporation as a result shall be allocated and charged to Participants as provided in Section 4 below of this Procedure.

C. DEPOSIT DATE (OFFERS WITH AN INVENTORY DELIVERY PERIOD)

Failing Long Participants wishing to accept the offer may submit a Liability Request Notice to the Corporation by the Liability Request Deadline which, for offers of this type, is 9:00 a.m. (London time) on Deposit Date +1. The notice shall contain such information as the Corporation may determine appropriate, and shall indicate the exact quantity of shares for which the Corporation will be held liable with respect to the offer.

Upon timely receipt of Liability Request Notices from Failing Long Participants, the Corporation shall allocate the noticed liability to Failing Short Participants using the Allocation Algorithm, and issue Liability Allocation Notices to the affected Failing Short Participants by the Liability Allocation Cutoff Time.

The Corporation shall submit cancellation instructions (i) to the Settlement Agents for the those Failing Long Participants covering all associated Failed Long Positions for which the Corporation has received timely Liability Request Notices as promptly as practicable after receipt thereof (and where the Participant is acting as its own Settlement Agent, it shall be required to submit such cancellation instructions directly to the Settlement Entity promptly upon timely submission to the Corporation of its Liability Request Notice), and (ii) to the Settlement Agents for those Failing

Short Participants to whom liability has been retransmitted, as promptly as practicable after allocating such liability (and where such Failing Short Participant is acting as its own Settlement Agent, it shall be required to submit such cancellation instructions directly to the Settlement Entity promptly upon receipt of its Liability Allocation Notice). If any transactions that are subject to cancellation are not either matched and/or cancelled prior to being settled after Deposit Date, the transactions will be reversed by the Corporation, and the affected Participant must then match new settlement instructions with the Corporation, through their respective Settlement Agents.

In the event the Corporation maintains a Custody Position after the Relevant Security Depository's settlement close on Deposit Date, and the quantity of Liability Request Notices received from Failing Long Participants exceeds the quantity of Failed Short Positions owed to the Corporation by Failing Short Participants, the Corporation shall endeavor (if time and local market practice permits), via its Settlement Entity, to tender its Custody Position for the appropriate quantity. If it is unable to do so, any loss incurred by the Corporation as a result shall be allocated and charged to Participants as provided in Section 4 below of this Procedure.

D. PAY DATE (BOTH OFFERS WITH AND WITHOUT AN INVENTORY DELIVERY PERIOD)

1. On Pay Date, the Corporation will, for Cash Tender Offers:

- (a) Credit the difference between the tender proceeds and clearance obligation proceeds, through cash settlement, to Failing Long Participants that had timely sent Liability Request Notices to the Corporation, and charge the difference between the tender proceeds and the clearance obligation proceeds, to the Failing Short Participants to whom liability was allocated and retransmitted by the Corporation; and
- (b) Cancel the clearance obligations associated with the fails for which the above charges/credits are made.

2. On Pay Date, the Corporation will, for Exchange Offers:

If the new (turnout) security is to be an Eligible Instrument:

- (a) Establish new receive and deliver obligations in the new Eligible Instrument between the Failing Long Participants that had timely sent Liability Request Notices and the Corporation, and between the Failing Short Participants to whom such liability was allocated and retransmitted and the Corporation; and
- (b) Cancel the receive and deliver obligations associated with the fails for which the above new obligations were created.

3. If the new (turnout) security is not to be an Eligible Instrument then, subject to the provisions of Section 3.F below:

- (a) Without adding such security to the list of Eligible Instruments, the Corporation will establish new receive and deliver obligations in the new security between (i) the Failing Long Participants that had timely sent Liability Request Notices and the Corporation, and (ii) the Failing Short Participants to whom such liability was allocated and retransmitted and the Corporation; and
- (b) Cancel the receive and deliver obligations associated with the fails for which the above new obligations were created.

E. RIGHTS SUBSCRIPTION EXPIRATIONS

Rights shall be ineligible for trade processing through the Corporation.

For all fails in the underlying Eligible Instrument to which rights distributions attach, owing to or from the Corporation, the Corporation shall create notional obligations on its books and records with respect to the rights distribution. These notional obligations shall *not* be transmitted to Participants, nor shall Participants initiate settlement instructions with respect to the rights through the Corporation.

Claims processing with respect to rights will be conducted as described above in Section 2.B (Dividends claims processing) of this Procedure.

The following process relates to rights which are either exercisable for shares of the underlying Eligible Instrument to which it is associated, or are exercisable for another security that is determined by the Corporation, in accordance with the Rules, to be an Eligible Instrument. In the event that a Failing Long Position in the underlying Eligible Instrument remains open at the close of business on a rights Subscription Expiration Date^{12,13,14}:

¹² This discussion pertains to Rights subscription expirations outside of the United Kingdom and Ireland. The processing of expiration rights in the United Kingdom and Ireland are subject to the processing requirements of, and will be processed through, Crest ACON. See Appendix B to this Procedure.

¹³ With respect to Failed Long Positions involving share subscription rights in Italian Eligible Instruments, the Corporation will adopt the following process, in order to mimic the local market: If the Long Position in the underlying Eligible Instrument is not settled by the close of business on Record Date (Ex-date +2) the Corporation will permit a Failing Long Participant to submit a Liability Request Notice retransmitting the liability it receives from the local market, and the Corporation will allocate and retransmit that liability to Failing Short Participants using the Allocation Algorithm. The liability will be determined in accordance with then applicable on-exchange market practice (currently a cash compensation amount equal to an indicative price, from the principal exchange where the security for which the rights are exercisable is traded, on the value of the rights multiplied by 170%, plus any charges applied by Monte Titoli). This amount, and the underlying open Fail Positions with which it is associated, will be cancelled and rebooked in a manner similar to the processing of Italian dividends as described above, provided that the requesting Failing Long Participant shall, in its Liability Request Notice, be required to provide the Corporation with the indicative price and documentation supporting that price and the retransmittal of liability from the local market.

1. Failing Long Participants may submit Liability Request Notices to the Corporation by the Liability Request Deadline which, for Rights Subscriptions shall be 9:00 a.m. (London time) on Subscription Expiration Date +1 (RSD-2 for depositary receipts), indicating the exact quantity of rights they will subscribe to in the offer and indicating any oversubscription amount they have requested;
2. The Corporation shall allocate liability to Failing Short Participants using the Allocation Algorithm, and issue Liability Allocation Notices to the affected Failing Short Participants by 5:00 p.m., London time on Subscription Expiration Date + 1 (at 11:00 a.m. London time on RSD for depositary receipts);
3. The original failing obligations in the underlying ISIN between the Failing Long Participant and the Corporation, and between the Corporation and the Failing Short Participant(s) to whom such liability has been allocated shall be maintained until settled or bought-in. In addition, the Corporation shall create and issue new receive and deliver obligations in the Eligible Instrument for which the rights are exercisable for the quantity of shares the Failing Long Participant has subscribed (via its Liability Request Notice) versus payment of the applicable subscription amounts, and mirror obligations between the Corporation and the Failing Short Participants to whom such liability has been allocated, for the allocable quantities of shares so subscribed versus payment of the applicable subscription amounts.
4. Where the Failing Long Participant has delivered a Liability Request Notice which includes an oversubscription amount request, then additional receive and deliver obligations will be created at the time any oversubscriptions are validated and announced by the issuer's subscription agent, for the quantity of the oversubscription accepted by the agent versus payment of the subscription proceeds.
5. The receive and deliver obligations created and recorded as provided above shall be treated, for purposes of the Rules, as Accepted Trades and shall be processed in accordance with the Rules.

F. SECURITIES INELIGIBLE FOR PROCESSING

If, in connection with any Corporate Action event (whether a Distribution with Election, Voluntary Event or Rights Subscription or

¹⁴ As regards to depositary receipts, the Depositary Receipt Agent may cash out the subscription right and distribute the proceeds to receipt holders. In such cases, the cash distributions will be processed in the same manner as a mandatory distribution/dividend under Section 2.B above. If the resultant security from the subscription election is not determined by the Corporation to be an Eligible Instrument, then claims will be processed as provided in Section 3.F.

otherwise), the security or right offered or to be distributed to Participants is determined by the Corporation to be ineligible for processing through the Corporation's facilities, whether due to legal or regulatory concerns, the Corporation's processing capabilities, or its determination that Participants may lose important rights by reason thereof, the Corporation may treat such instrument in the same manner as an Eligible Instrument that becomes ineligible for processing, in accordance with the provisions of Rule 7, Section 10.

4. ALLOCATION OF LOSSES ARISING FROM ITALIAN DIVIDEND PROCESSING AND VOLUNTARY EVENTS

Any loss and associated costs (including any penalty charges and tax losses) incurred by the Corporation as a result of its holding a Box or Custody Position (i) in an Italian equity security over the Record Date for any dividend payable on such security, or (ii) in any other Eligible Instrument undergoing a Voluntary Event on either the Acceptance End Date, the Deposit Date or, with respect to a rights offering, the Subscription Expiration Date (as applicable in accordance with the terms of the offer) (for ease of reference, referred to as the "**Expiration Date**"), will be allocated to Failing Short Participants as described below. Such allocated losses and associated costs will be charged and billed to the affected Participants on a monthly basis.

Italian Dividend Losses. The Record Date for the dividend event on which the loss occurred shall be "**Calculation Date**". All Participants who have had an outstanding Failing Short Position in *any* Italian Eligible Instrument over a dividend Record Date at any time during the three months prior to the Calculation Date (the "**Calculation Period**")¹⁵ shall be allocated a portion of the loss, using the settlement value of the Failing Short Positions at close of business on each such Record Date occurring during the Calculation Period. Each Failing Short Participant's share of the loss shall be equal to **A** times (**X** / **Y**), where:

A= the relevant loss and associated costs;

X= the Failing Short Participant's aggregate settlement value of all its Record Date fails during the Calculation Period; and

Y=the sum of the aggregate value of all Failing Short Participants' fails over all Record Dates occurring during the Calculation Period.

The following is an example of loss allocation of EUR100,000 to those Participants failing at cob Record Date in Italian cash dividend events over the Calculation Period:

¹⁵ Or such shorter period of time from the Corporation's go live date, if applicable.

Loss EUR: 100,000.00
Record date: 22/02/08 (3 month calculation period, from: 22/02/2008 to 22/11/2007)

Participant	Fail Value @cob R/D	Event type	Record date	Isin Line	%	Value EUR of loss
Participant 1	10,000,000.00	ITL DIV	07/02/2008	IT0000064482	25	25000
Participant 2	2,000,000.00	ITL DIV	07/01/2008	IT0000064482	5	5000
Participant 3	12,000,000.00	ITL DIV	30/11/2007	IT0003087504	30	30000
Participant 4	3,000,000.00	ITL DIV	14/02/2008	IT0000125338	7.5	7500
Participant 5	2,000,000.00	ITL DIV	14/01/2008	IT0000310336	5	5000
Participant 6	7,000,000.00	ITL DIV	13/12/2007	IT0000946652	17.5	17500
Participant 7	4,000,000.00	ITL DIV	22/02/2008	IT0000064482	10	10000
Participant 8	10,000,000.00	ITL DIV	30/08/2007	IT0000064554	0	0
Total EUR	40,000,000.00				100	100,000.00
Participant 8 will not have any loss penalty applied as the time they failed was more than the three month period applied.						

Voluntary Event Losses. For this purpose, the respective Expiration Date for the Voluntary Event on which the loss occurred shall be “**Calculation Date**”. All Participants who have had an outstanding Failing Short Position on the applicable Expiration Date in any Eligible Instrument that has undergone a Voluntary Event at any time during the three months prior to the Calculation Date (the “**Calculation Period**”)¹² shall be allocated a portion of the loss, using the settlement value of the Failing Short Position at the close of business on each such Expiration Date during the Calculation Period. Each Failing Short Participant’s share of the loss shall be equal to **A** times **(X / Y)**, where:

- A**= the relevant loss and associated costs;
- X**= the Failing Short Participant’s aggregate settlement value of all its Expiration Date fails during the Calculation Period; and
- Y**= the sum of the aggregate settlement value of all Failing Short Participants’ fails over all Expiration Dates occurring during the Calculation Period.

In performing this calculation, Participants should note that if the currency applicable to the Voluntary Event in which the Corporation incurred the loss is different from the currency applicable to the other Voluntary Events in which the Failing Short Participant had outstanding fails over an Expiration Date during the Calculation Period, the Corporation will apply a currency conversion to the former, using the foreign exchange rate applicable on the Calculation Date.

The following is an example of a loss allocation for a loss for EUR100,000 to those Participants failing in Voluntary Events over an Expiration Date at any time during the Calculation Period:

Loss EUR: 100,000.00

Expiration date: 22/02/08 (3 month calculation period, from: 22/02/2008 to 22/11/2007)

<u>Participant</u>	<u>Fail Value @ expiration</u> <u>date</u>	<u>Event type</u>	<u>Expiration/Acceptance</u> <u>end date</u>	<u>Isin Line</u>	<u>%</u>	<u>Value EUR of Loss</u>
Participant 1	10,000,000.00	Tender offer	07/02/2008	GB0031348658	25	25000
Participant 2	2,000,000.00	Rights Subscription	07/01/2008	IT0000064482	5	5000
Participant 3	12,000,000.00	Tender offer	30/11/2007	NO0003087504	30	30000
Participant 4	3,000,000.00	Tender offer	14/02/2008	FR0000125338	7.5	7500
Participant 5	2,000,000.00	Rights Subscription	14/01/2008	SE0000310336	5	5000
Participant 6	7,000,000.00	Tender offer	13/12/2007	AT0000946652	17.5	17500
Participant 7	4,000,000.00	Tender offer	22/02/2008	IT0000064482	10	10000
Participant 8	10,000,000.00	Tender offer	30/08/2007		0	
Total EUR	40,000,000.00				100	100,000.00

Participant 8 will not have any loss penalty applied as the time they failed was more than the three month period applied.

Appendix A to Procedure IV: Glossary

Key Dates referred to in this Procedure

- **Acceptance End Date:** The final date election instructions may be submitted to participate in a voluntary event.
- **Acceptance Start Date:** Start of the period during which election instructions may be submitted to participate in a voluntary event.
- **Bank Deadline:** The final date and time a Settlement Agent accepts its customers' elections to participate in a voluntary event.
- **Deposit Date:** For Voluntary Offers which allow for elections by the Acceptance End date of positions that have not yet settled, the date by which the settled position must be delivered to the offeror or its agent (also commonly referred to as the End of Cover Protect Period).
- **Ex-Date:** The day the underlying security begins trading without the current announced distribution entitlement accruing to the buyer.
- **Inventory Delivery Period:** The period after the Acceptance Date (or Expiration Date) provided by the Offeror to enable delivery to the Offeror or Agent of any tendered positions (also commonly referred to as the Protect Period).
- **Last Qualifying Trade Date and Last Qualifying Settlement Date:** Dates established by the Corporation for Corporate Action event liability protection in accordance with the terms of the Voluntary Event offer.
- **Market Deadline:** The time on the Acceptance End Date the Relevant Securities Depository or Issuer or Issuer's agent stops accepting elections.
- **Pay Date or Payment Date:** Date on which entitlements are distributed.
- **Record Date:** The day the issuer/registrars capture position for determining holders entitled to receive a distribution.
- **Subscription Date:** In the case of rights, the last date for delivery of subscription instructions, rights and subscription proceeds to purchase underlying shares.
- **Subscription Expiration Date:** The last day a holder of rights may exercise such rights to purchase shares of the underlying stock at the subscription price.

Appendix B to Procedure IV: Liability/Protection Procedures in the UK/Ireland: CREST ACON Procedures

For Voluntary Events which settle through Euroclear UK & Ireland (Crest), the Crest ACON process will be used. For the convenience of Participants, this Appendix outlines the ACON process, and Participants' respective rights and responsibilities vis-à-vis the Corporation. This summary is subject in all respects to the applicable rules and procedures of Crest, as may be in effect from time to time. Participants (and their Settlement Agents) are responsible for compliance with Crest procedures, and advising themselves of any changes in such procedures.

- As with all clearance obligations created and distributed to Participants by the Corporation, Participants or their Settlement Agents must match settlement instructions in Crest with the Corporation's Settlement Agent. ACON instructions may only be submitted on matched transactions.
- Any events that are *not* supported by the Crest ACON process will automatically receive the default option and *no* liability notices will be accepted by the Corporation. Failing Short Participants will be accountable for the event based upon the default option.
- A Failing Long Participant (or its Settlement Agent, as applicable) enters, via Crest ACON, a liability for the number of shares the Participant wishes to lodge in acceptance of the offer, indicating the payout option (if any) desired.
- The Corporation's Settlement Agent will match the valid ACON instruction with the Failing Long Participant and submit, within good time, an offsetting liability or liabilities into ACON against the applicable Failing Short Participants. The Corporation's Settlement Agent will also, on behalf of the Corporation, reduce the settlement priority of the original scheduled delivery that the Corporation is failing to deliver at end of day on contractual settlement date (if the transaction remains unsettled) or on the Crest ACON deadline, whichever is earlier.
- Upon receipt of an ACON liability instruction, the Failing Short Participant should reduce the settlement priority of the transaction at end of day on contractual settlement date (if the transaction remains unsettled) or on the Crest ACON deadline, whichever is earlier. Failure to do so may result in settlement of a 'protected' trade, in which case the Corporation may reject or return that position to the Failing Short Participant, and the Failing Short Participant will still retain liability even if they settle the "failed" transaction after an instruction has been received.
- Upon receipt of a liability instruction, the Failing Short Participant should also immediately match the instruction in ACON. This ensures

that Crest will automatically transform the transaction into the desired entitlement.

- An instruction should not be input by a Failing Short Participant unless it is to match an instruction received from the Corporation's Settlement Agent.
- This process results in retransmission of liability for the desired entitlement from the Long Participant through the Corporation to the Short Participant.

Timing

- In the UK and Ireland, the deadline for "buyer protection" via the ACON process is generally one day prior to the issuer Acceptance End Date. As a result, the Corporation's Participants will not be able to pass liability for any transactions with an intended settlement date later than the ACON deadline, *including those trades intended to settle on Issuer Acceptance date.*
- An ACON instruction will only be valid and applicable if it is input on or before the ACON instruction deadline *and* if the intended settlement date of the transaction is on or before the ACON instruction deadline date.
- The deadline for submission of an instruction is generally **11:00 a.m.** one business day prior to the market deadline on Acceptance End Date. *However, Participants should note the exact deadline communicated within the Crest KCAP message.* Instructions received after this time will only be processed by the Corporation's Settlement Agent on a reasonable endeavours basis, after which the instruction will be rejected.
- Instructions received by the deadline may be allocated by the Corporation's Settlement Agent up to one-hour after the ACON deadline. The receiver(s) of this instruction (the Failing Short Participant(s)) is obliged to protect the desired entitlement.
- "ACODs", the deletion of an ACON, have the same deadlines as ACONs.

Transactions remaining unmatched at Crest

A Failing Short Participant that has failed to match its settlement obligation will still be potentially liable for the results of the Corporate Action in accordance with the Corporation's Rules. Participants are reminded that they are obligated to take appropriate action to timely match their settlement obligations, and they shall be liable to the Corporation for any losses resulting

from their failure to do so. Any such liability that cannot be processed through the ACON process shall be transmitted to Failing Short Participant(s) by the Corporation, and the Corporation shall reflect the transformation of the failing Settlement obligations as may be required by terms of the relevant offer.

PROCEDURE V. MARGIN AMOUNT METHODOLOGY

The Corporation will issue each Participant on a daily basis their required Margin Amount; such amounts will be calculated as set forth below. Margin Amounts are comprised of (1) Daily Margin Amount and (2) Intra-Day Margin Amount. Daily Margin will be issued each day. Intra-Day Margin will be issued when the Corporation deems appropriate as described below.

The Corporation requires a Participant's Margin Amount to be calculated in the Acceptable Currency (Euro, Sterling or U. S. Dollars) designated by the Participant; the Participant's Margin Amount will then be assessed in that currency. Participants may change their designated Acceptable Currency by providing such notice to the Corporation as the Corporation may specify. If trades are executed in, or any portion of the Margin Amount deposit is held in, a currency different than the Participant selects as its preferred Acceptable Currency, exchange rate risk will be determined and assessed on both the required Margin Amount and the Participant's amounts actually on deposit.

Participants will have access to detailed Margin reports that will be generated on a daily basis. Each morning, an automated requirement notification for Daily Margin will be issued to each Participant based on the overnight processing of risk calculations, subject to minimum requirements. A call or calls for Intra-Day Margin may also be issued based on an analysis of intra-day trading activity, market movements and special events. Payment to satisfy Daily Margin should be made via wire transfer and must be received by EuroCCP no later than 9:30 a.m. London time. Payment to satisfy Intra-day calls, when issued, must be received within one hour of issuance.

The automated Margin requirement notification will detail the requirement by the applicable of the components detailed below. Deposit details will also be provided.

Margin requirements will be calculated independently for House Accounts and Client Accounts. Margin Amounts provided with respect to Client Accounts will be maintained separately from deposits reflecting Margin Amounts for House Accounts.

The methodology for calculating the Margin Amount will consist of the following components:

Risk-Based Margin Methodology:

1. Mark-to-Market ("MTM")
2. Volatility
3. Fails
4. Special Charges

The following addresses each component of the methodology in turn.

MTM

This component measures the unrealised profit and loss using the contract price versus the market price. The value of the netted positions will be marked against the market price of the security.¹

- MTM will be performed on all unsettled positions, regardless of trade or settlement date.
- An accumulated total of all non-failing MTM debits and credits, netted by ISIN, will be summed into either an overall debit or credit for the Participant's portfolio. Overall MTM debits will be collected as part of the Margin requirement. Overall MTM credits will not be considered in the requirement.
- MTM netting will occur across multiple currencies
- The Corporation may exclude from the above, and perform separate mark-to-market calculations on, transactions designated as 'gross trades' (i.e., non-netted) and on fails.

Volatility

- A volatility calculation will be performed on a Participant's unsettled positions. A single position per ISIN will be derived by netting across settlement date and currency.
- A VaR model will be used and based on 100 days of historical price and foreign exchange rate movements to estimate the variance/covariance matrix. The calculation will be determined at no less than two standard deviations (currently set to 99%) and use a 3-day liquidation period.
- To Ensure 99% coverage, the Volatility component will systemically perform a daily back-test of the VaR calculation. Deficiencies will be added to bring coverage to within an acceptable range.
- For securities that do not have sufficient historical data to calculate VaR, the positions will be excluded from the VaR calculation and a haircut applied. The haircut applied will be based upon an amount that the Corporation determines from time to time, such as historical index movements or other relevant benchmarks.
- Historic intra-day portfolio P&L will be compared to start of day VaR calculations. Should any intraday portfolio P&L exceed the start of day VaR, additional charges will be added to cover the shortfall.
- The Corporation may exclude from the calculation and calculate separately those transactions designated as non-netted.

¹ The Corporation will utilize a vendor for determining market price.

Fails

- A fixed percent charge of no less than 5% will be applied to all fails on a daily basis.
- A separate MTM calculation will be applied for fails as described above.
- Credits on individual failed positions will not be considered in the fail MTM total.
- Additional margin may be collected on aged fails.

Special Charges

Special Charges may be levied at the discretion of the Corporation and may include the following:

- A charge to cover exposure based on variations in a Participant's trading pattern;
- A charge to cover market events when it appears to the Corporation that, due to excessive exposure to a particular issuer, the market in general or any other event, the financial viability of the Participant could be threatened;
- Concentration charges as the Corporation deems appropriate;
- Any illiquid positions that pose additional risk to the Corporation. Positions may be subject to special charges based on the lack of liquidity of the position over and above any calculation determined in the standard VaR requirement;

Any other special charge taken on a specific position that may pose additional and undue risk to the Corporation such as, but not limited to, significant fail positions, issues undergoing corporate actions or the buy-in process. Since not all situations can be anticipated, if through any surveillance system the Corporation detects a position that presents an undue risk to the Corporation or Participants, the Corporation may collect additional Margin Amounts over and above the amounts set forth in any particular guideline or regardless of whether particular guidelines have been established for the particular situation in question.

PROCEDURE VI. GUARANTEE FUND AND INTEROPERATING MARGIN FUND

The Corporation maintains a Guarantee Fund and will collect contributions from its Participants to this fund on a daily basis. Such amounts will be calculated as set forth below.

The Guarantee Fund will be calculated and allocated among Participants on a daily basis. Each morning, an automated requirement notification for the required amount of the contribution will be issued to each Participant based on the overnight processing of risk calculations, and subject to minimum requirements. Payment of any additional contributions to the Guarantee Fund will be required to be received by no later than 9:30 a.m. London time.

The Participant's Guarantee Fund contribution will be calculated in the Acceptable Currency (either Sterling, Euros or U.S. Dollars) designated by the Participant, and will then be assessed in that currency. Participants may change their designated Acceptable Currency by providing such notice to the Corporation as the Corporation may specify. If any portion of a Participant's contribution is held in a currency different than the currency the Participant selects as its preferred Acceptable Currency, exchange rate risk will be determined and assessed on the Participant's contribution, including any deficit required to be satisfied.

Guarantee Fund contributions deposits must be in Sterling, Euros, or U.S. Dollars.

Guarantee Fund Calculation Methodology

The Guarantee Fund will be formulated as a result of three components:

1. Stress Test (this results in a global figure, which is allocated among Participants as explained below).
2. Capital Risk Premium (calculated individually per Participant).
3. Internal Risk Ratings (calculated individually per Participant).

The following addresses each component of the methodology in turn.

Stress Test

A Stress Test calculation will be performed daily and based upon the following assumptions/data:

- stressed events based upon 10 years of historic market conditions;

- multiple Participant failure. Qualified Financial Institution portfolios will be included on the same basis as Participant portfolios for the purpose of the Stress Test calculation;
- simulated exposures for each Participant’s portfolio will be calculated utilizing the historic stressed events;
- the Stress Test amount will equal the difference of the summed simulated exposures and the current Margin Amounts; and
- allocation of the Stress Test amount will be based on a measure of volume and netting within each Participant’s portfolio.

Capital Risk Premium

The Corporation may levy a “**Capital Risk Premium**” on a Participant whose total required Margin Amount exceeds its Excess Regulatory Capital.

The Capital Risk Premium will be calculated as follows:

$(\text{Margin Amount} - \text{Excess Regulatory Capital}) \times [(\text{Margin Amount} + \text{Guarantee Fund}) / \text{Excess Regulatory Capital}]$.

- The Capital Risk Premium will be determined by multiplying: (a) the amount by which a Participant’s required Margin Amount exceeds its Excess Regulatory Capital by (b) the ratio of the Participant’s required Margin Amount and Guarantee Fund contribution (before the addition of the Capital Risk Premium) to the Participant’s Excess Regulatory Capital.
- The premium thus increases (or decreases) exactly in proportion to increases (or decreases) in the ratio (rounded to the nearest whole percent) and allows for risk management that is measured in proportion to the risk presented.
- The Corporation may, at its discretion: (i) collect an amount less than the calculated Capital Risk Premium (or collect no premium), and (ii) return all or a portion of the Premium if it believes that the imposition or maintenance of the Premium is not necessary or appropriate.
- Participants will be notified when their ratio of Margin Amount to Excess Regulatory Capital ranges from 0.5 to 1.

Internal Risk Rating

Based on a Participant’s internal risk rating, Guarantee Fund calculations may be adjusted.

- The Corporation may adjust a Participant's required contribution to the Guarantee Fund by a factor or by a set amount due to a change in that Participant's credit status.

Interoperating Margin Fund

The Interoperating Margin Fund Contribution consists of each interoperating Qualified Financial Institution's margin requirement as issued to EuroCCP. Only Participants trading on interoperating platforms will be required to contribute to the fund. The contribution amount is allocated to each Participant using a pro rata calculation based on volume and netting within each Participant's portfolio. If a Participant's netted portfolio includes its trades from non-interoperating platforms, the pro rata calculation will be based on the portfolio, without distinction by platform of origin.

The Corporation will advise and collect from each Interoperating Participant the Interoperating Margin Fund Contribution according to the procedures as set forth below:

The Corporation requires a Participant's Interoperating Margin Fund Contribution to be calculated in the Acceptable Currency (Euro, Sterling or U.S. Dollars) designated by the Participant; the Participant's Interoperating Margin Fund Contribution will then be assessed in that currency. Participants may change their designated Acceptable Currency by providing such notice to the Corporation as the Corporation may specify. If any portion of the Interoperating Margin Fund Contribution deposit is held in a currency different than the Participant selects as its preferred Acceptable Currency, exchange rate risk will be determined and assessed on both the required Interoperating Margin Fund Contribution and the Participant's amounts actually on deposit.

Participants will receive detailed Interoperating Margin Fund Contribution requirement notifications daily. Each morning, an automated requirement notification for Daily Interoperating Margin Fund Contributions will be issued to each Participant based on the processing of risk calculations as advised from the Interoperating Qualified Financial Institutions. Payment to satisfy Interoperating Margin Fund Contributions should be made via wire transfer and must be received by EuroCCP no later than 10:30 a.m. London time. Participants can substitute cash for eligible sovereign debt no later than 13:00 London time.

The automated requirement notification will detail the total requirement payable by each Participant resulting from Interoperating with Qualified Financial Institutions. Deposit details will also be provided.

Interoperating Margin Fund Contributions will be maintained separately from Margin Amounts for House, Client and Guarantee Accounts.

Qualified Financial Institutions

Margin Amount and Guarantee Fund methodology and procedures with Qualified Financial Institutions (“QFI’s”) are different from those applicable to Participants as follows:

- Acceptable Currencies for QFIs include Swiss francs.
- Margin Amounts payable by a QFI to EuroCCP must be received by 11:00 a.m. London time.
- A QFI will not be allocated an Interoperating Margin Fund Contribution issued to EuroCCP by other QFIs.
- QFIs will not be required to contribute to the Guarantee Fund. As noted in a preceding section of this document, Qualified Financial Institution portfolios will be included on the same basis as Participant portfolios for the purpose of the Stress Test calculation.

PROCEDURE VII. SETTLEMENT FINALITY PROCEDURE

1. This Procedure is made in accordance with Section 6 of Rule 8 of the Corporation's Rules.
2. Column 1 below set out the types of instruction given by or on behalf of the Corporation or a Participant or (in respect of Corresponding Contracts) by a Qualified Financial Institution which are Transfer Orders for the purposes of the Rules.
3. Column 2 below specifies, for each category of instruction, the time at which it takes effect and is entered into the System.
4. Column 3 below specifies, for each category of instruction, the time after which it may not be revoked by a Participant or any other party.
5. Column 4 below sets out, for each category of instruction, guidance notes to assist in interpretation of the procedures.

	1 SECURITIES TRANSFER ORDER	2 TIME "ENTERED INTO THE SYSTEM"	3 TIME FROM WHICH IRREVOCABLE	4 NOTES
1.	Novation of Contract/ Acceptance of Transaction	At the Relevant Time	The earlier of: <ul style="list-style-type: none"> - the occurrence of an Insolvency Event in respect of the Participant; and - the Cut-off Time for the day in question. 	<p>1. The Relevant Time is the time when the transaction is accepted or deemed to be accepted under the Rules. Where Section 1.7 of Rule 7 applies, this occurs</p> <p>(a) in the case of a Novation Transaction, immediately after the time at which a binding obligation is created under the rules/terms and conditions of the relevant Approved Entity; and</p> <p>(b) in the case of an Open Offer Transaction, at the time at which the transaction is deemed to be concluded under the terms and conditions of the relevant Approved Entity</p> <p>but, in either case, this is conditional on the trade meeting conditions for acceptability set out in Section 1.7 of Rule 7 (the "Acceptance Conditions"). If the Acceptance Conditions are not met by the Cut-off Time for the relevant day, the acceptance of the transaction (including any novation in the case of a Novation Transaction) is of no effect.</p>

	1 SECURITIES TRANSFER ORDER	2 TIME "ENTERED INTO THE SYSTEM"	3 TIME FROM WHICH IRREVOCABLE	4 NOTES
				<p>2. The Cut-off Time is a time prescribed by the Corporation. The Corporation may prescribe different times for different Approved Entities, and:</p> <p>(a) the time for each Approved Entity, other than a Non-Standard Approved Entity, will normally be 5:30 p.m. London time, unless otherwise notified by the Corporation, and</p> <p>(b) for those Approved Entities that may be designated by the Corporation from time to time (being "Non-Standard Approved Entities") the Cut-off Time for each transaction effected on or through such Non-Standard Approved Entity shall be one hour following the Relevant Time.</p> <p>3. Should an Insolvency Event occur before the Acceptance Conditions are met, the transfer will become irrevocable for the purposes of the Rules. However if it subsequently fails to satisfy the Acceptance Conditions, and is consequently ineffective, this will not amount to "revocation".</p> <p>4. The Corporation may agree to validate and accept a trade in circumstances where the Acceptance Conditions are not met. In this case the Relevant Time will be time of such actual validation and acceptance. This time will be recorded by the Corporation.</p> <p>5. The Corporation may also make Procedures which vary the provisions of Section 1.7 of Rule 7 as they apply to a specific service or type of transaction. In such cases the Relevant Time will be the time when the transaction is accepted or deemed to be accepted under the relevant Procedure.</p> <p>6. Trades may be cancelled under Section 4 Rule 6 or Section 1 Rule 7, so long as an Insolvency Event has not occurred and until the Cut-off Time on the day concerned.</p>

	1 SECURITIES TRANSFER ORDER	2 TIME "ENTERED INTO THE SYSTEM"	3 TIME FROM WHICH IRREVOCABLE	4 NOTES
2.	Amended trade following cancellation	The time the related cancellation is accepted by the Corporation (as shown in a Report issued to the relevant Participants).	As for 1 above	<p>1. This category only covers cases where the original novated trade is cancelled under Section 4 of Rule 6 or Section 1.2 of Rule 7. If an error is dealt with by an equal and opposite transaction, that transaction will fall under 1 above.</p> <p>2. The correction of the terms of an Accepted Trade is not treated as a revocation of the trade.</p>
3.	Instruction by the Corporation to an Eligible Cash Payment Bank to pay a Margin Amount or Contribution	The time of submission by the Corporation of the instruction into the SWIFT Messaging Gateway, or other communication mechanism permitted by the Rules, used by the Corporation to transmit the instruction to the Participant.	The time of submission by the Corporation of the instruction into the SWIFT Messaging Gateway, or other communication mechanism permitted by the Rules, used by the Corporation to transmit the instruction to the Participant.	<p>1. This category only covers payment transfer orders in respect of Margin Contributions, where implemented, Interoperating Margin Fund Contributions and Guarantee Fund Contributions made in accordance with the Cash Payment Procedures.</p> <p>2. The Corporation will issue instructions to the Participant's Eligible Cash Payment Bank via an ISO instruction for payment by automatic debit, in accordance with the Cash Payment Procedures.</p> <p>3. The instruction issued by the Corporation to the Participant's Eligible Cash Payment Bank is deemed to be an instruction on behalf of the Participant.</p>
4.	Instruction by the Corporation to an Eligible Cash Payment Bank to pay a Funds Only Settlement amount	The time of submission by the Corporation of the instruction into the SWIFT Messaging Gateway, or other communication mechanism permitted by the Rules, used by the Corporation to transmit the instruction to the Participant.	The time of submission by the Corporation of the instruction into the SWIFT Messaging Gateway, or other communication mechanism permitted by the Rules, used by the Corporation to transmit the instruction to the Participant.	<p>1. This category only covers payment transfer orders in respect of Funds Only Settlement made in accordance with the Cash Payment Procedures.</p> <p>2. The Corporation will issue instructions to the Participant's Eligible Cash Payment Bank via an ISO instruction for payment by automatic debit, in accordance with the Cash Payment Procedures.</p> <p>3. The instruction issued by the Corporation to the Participant's Eligible Cash Payment Bank is deemed to be an instruction on behalf of the Participant.</p>

Note: The Transfer Orders specified above are securities transfer orders for the purposes of the Settlement Finality Regulations. Subsequent payments and settlement instructions given by Participants or the Corporation are part of the process of giving effect to such transfer orders and do not constitute separate transfer orders for the purposes of the Regulations.

PROCEDURE VIII. COMPLAINTS PROCEDURE

1. SECTION 1: APPLICATION

Any person (the "**Complainant**") directly affected by the Corporation's performance of or failure to perform any of its Regulatory Functions may bring a complaint under this Complaints Procedure, provided the complaint meets with the requirements of Section 2 below.

2. SECTION 2: REQUIREMENTS

- 2.1 This Complaints Procedure provides a means for enquiring into and, if necessary, addressing allegations of misconduct by the Corporation arising from the way in which it has performed, or failed to perform, any of its Regulatory Functions.
- 2.2 To be eligible to make a complaint under this Complaints Procedure, a Complainant must be seeking a remedy (which for this purpose may include an apology) in respect of some loss, inconvenience or distress which the person has suffered as a result of being directly affected by the Corporation's misconduct.
- 2.3 Each of the following is excluded from this Complaints Procedure:
 - (a) any complaint with respect to an employment or labour matter;
 - (b) complaints relating to contractual or commercial matters involving the Corporation unrelated to its Regulatory Functions;
 - (c) complaints about the content of the Corporation's Rules or Procedures; and
 - (d) complaints about a decision against which the Complainant has the right to appeal under the Rules.
- 2.4
 - (a) The Corporation shall not be obligated to investigate a complaint under this Complaints Procedure which it reasonably considers:
 - (i) could have been, or would be, more appropriately dealt with in another manner (for example, by referring the matter to the Participation and Compliance Committee of the Board of Directors or requesting a hearing under Rule 22); or
 - (ii) amounts to no more than dissatisfaction with the Corporation's general policies or with the proper exercise of its discretion.
 - (b) A complaint will not normally be investigated by either the Corporation or the Complaints Investigator until the Complainant

has exhausted the procedures and remedies available under the Rules which are relevant to that complaint.

- 2.5 Complaints must be made in writing and submitted to the Company Secretary of the Corporation. Any Complainant complaining orally will be asked to confirm his complaint in writing and the Corporation will not investigate a complaint until the Complainant has done so.
- 2.6 Complaints shall be made within 90 days of the date on which the Complainant first became aware of the circumstances giving rise to the complaint. Complaints made later than this will be investigated under this Complaints Procedure only if the Complainant can show reasonable grounds for the delay.
- 2.7 The Corporation will not make any charge to Complainants in relation to this Complaints Procedure unless the Complaints Investigator determines that the Complainant was not acting in good faith or that his complaint was fictitious, frivolous or vexatious.

3. SECTION 3: INITIAL INVESTIGATION

- 3.1 The Corporation shall acknowledge a complaint within five working days of receipt. This acknowledgement shall include details of the Complainant's right to refer the complaint to a Complaints Investigator if he is dissatisfied with the way in which the Corporation has dealt with it.
- 3.2 The Corporation shall arrange for an initial investigation by its own staff of any complaint which satisfies the provisions of Section 2 above. That investigation will be carried out by a suitable member of staff who has not previously been involved in the matter complained of, with a view to resolving the matter to the Complainant's satisfaction.
- 3.3 The Corporation shall aim to ensure that all investigations are completed within eight weeks of receipt of the written complaint in accordance with paragraph 2.5 above. If it has not completed the investigation of the complaint within 6 weeks, the Corporation shall so notify the Complainant. The Corporation shall aim to notify the Complainant of the result of the initial investigation within 10 weeks of receipt of the written complaint.
- 3.4 If the Corporation concludes that a complaint is well founded, it shall tell the Complainant what it proposes to do to remedy the matters of complaint.
- 3.5 Remedying a well founded complaint may include offering the Complainant an apology, taking steps to rectify an error or, if appropriate, the offer of a compensatory payment on an ex-gratia

basis. If the Corporation decides to reject a complaint, it shall give its reasons for doing so to the Complainant.

4. **SECTION 4: COMPLAINTS INVESTIGATOR**

- 4.1 Complainants who are dissatisfied with the outcome of an investigation or who are dissatisfied with the Corporation's progress in investigating a complaint, may request that the Corporation refer the matter to an independent person (a "**Complaints Investigator**"), who may decide to carry out his own investigation.
- 4.2 A request for referral shall be made in writing to the Company Secretary of the Corporation and shall be made no later than 10 days following the notification to the Complainant of the result of the initial investigation. Any such request shall include an undertaking by the Complainant, in form reasonably satisfactory to the Corporation, to reimburse the Corporation for costs and expenses of the Complaints Investigator if, following the Complaints Investigator's review, he determines that the Complainant was not acting in good faith or that his complaint was fictitious, frivolous or vexatious.
- 4.3 On receipt of the Complainant's written request and undertaking in accordance with paragraph 4.2 above, the Corporation shall request that a Complaints Investigator be nominated by the Centre for Dispute Resolution ("**CEDR**"), London. Such investigator shall be a person:
- (a) independent of both the Corporation and the Complainant (for these purposes "independent " shall mean that such person is not and has not been an officer, director or employee of either the Corporation or the Complainant, or of any of their respective affiliates);
 - (b) with appropriate knowledge of how clearing is carried out by the Corporation and of the Rules (including the Procedures), and other relevant documentation, regulation and applicable law; and
 - (c) with appropriate experience of the market activities to which the complaint relates.
- 4.4 Except as provided in Section 4.2, the Corporation shall be responsible for the payment of the fees and expenses of the Complaints Investigator although this shall not give rise to any employment or other relationship between the Complaints Investigator and the Corporation, and shall not give rise to any duty between the Complaints Investigator and the Corporation other than that the Independent Investigator shall act as an independent complaints investigator in accordance with the terms of this Complaints Procedure.

- 4.5 If the Corporation has decided not to investigate a complaint pursuant to Section 2.4, the Complaints Investigator shall, after considering any representations from the Complainant and the Corporation, then decide whether the complaint falls within the scope of this Complaints Procedure and, if so, whether to conduct an investigation. In such event the investigation shall be conducted by the Corporation in accordance with Section 3.
- 4.6 The Complaints Investigator may conduct an investigation in whatever manner he thinks appropriate including obtaining such external resources as may be reasonable. In performing his functions in accordance with this Complaints Procedure, the Complaints Investigator must at all times act independently of the Corporation and the Complainant.
- 4.7 The Corporation and the Complainant shall afford the Complaints Investigator all reasonable co-operation including giving access to their staff and information. The Corporation may, in affording the Complaints Investigator access to information, have regard to the need to maintain the confidentiality of certain kinds of information. This would include, for example, taking appropriate steps to ensure that the identity of an informant is not disclosed, or maintaining the confidentiality of information given to the Corporation. In any case where the Corporation decides that it should withhold information, it will inform the Complaints Investigator of the nature of that information and its reasons for withholding it.
- 4.8 The Corporation is not, because of any investigation being conducted by the Complaints Investigator, prevented from continuing to take such action, or such further action, as it considers appropriate in relation to any matter which is related to a complaint or a Complainant.
- 4.9 The Complaints Investigator shall ensure that, before he concludes an investigation and makes a report, any person who may be the subject of criticism in it is given notice of, and the opportunity to respond to, that criticism.
- 4.10 The Complaints Investigator shall report to the Corporation and to the Complainant on the results of his investigation, giving reasons for any recommendations he makes.
- 4.11 The Complaints Investigator shall ensure that his report, apart from identifying the Corporation, does not mention the name of any other person or contain particulars which are likely to identify any other person unless:

- (a) in the opinion of the Complaints Investigator the omission of such particulars would be likely to impair the effectiveness of the report; or
 - (b) after taking into account the public interest, as well as the interests of the Complainant and the interest of other persons, the Complaints Investigator considers it necessary to mention the name of that person or to include in the report those particulars.
- 4.12 The Complaints Investigator may, if he thinks it appropriate, recommend that the Corporation takes either or both of the following steps:
 - (a) remedies the matters of complaint; or
 - (b) makes a compensatory payment to the Complainant.
- 4.13 The Corporation shall review the recommendations of the Complaints Investigator and in any case where the Complaints Investigator has reported that a complaint is well founded, or where he has criticised the Corporation in his report, inform the Complaints Investigator and the Complainant of what steps it proposes to take by way of response.
- 4.14 In deciding how it should respond to any recommendation by the Complaints Investigator that the Corporation make a compensatory payment to a Complainant in any case, the Corporation may take into account the following:
 - (a) the nature and amount of the Complainant's loss;
 - (b) the gravity of the misconduct which the Complaints Investigator has identified and its consequences for the Complainant;
 - (c) the nature of the Corporation's relationship with the Complainant and the extent to which the Complainant has been adversely affected in the course of his direct dealings with the Corporation;
 - (d) whether what has gone wrong is at the operational or administrative level (rather than in relation to matters of policy or where the Corporation's actions have necessarily had to reflect a balancing of conflicting interests and complex issues); and
 - (e) the impact of the cost of compensatory payments on Participants.

5. **SECTION 5: COMPLAINTS AGAINST INDIVIDUAL STAFF MEMBERS**

- 5.1 A complaint about the behaviour of an individual staff member of the Corporation staff should be addressed privately and confidentially to

the Chief Executive Officer (or if it concerns him or her, to the Chairman).

- 5.2 If the Chief Executive Officer (or the Chairman) upholds the complaint, and offers an acceptable remedy (which may be simply an apology) to the Complainant, any consequent disciplinary action against the member of staff will be entirely an internal matter to be handled by the Corporation management and/or the Board of Directors.
- 5.3 If the Chief Executive Officer (or the Chairman) rejects the complaint as being without merit, or if any remedy offered is not accepted, then the complaint will be treated as being against the Corporation as an organisation and will follow this Complaints Procedure as set out in Sections 1 to 4 above. In these circumstances, any disciplinary action contemplated or taken against a member of staff will be a separate matter and will be handled privately as an internal matter by the Corporation management and/or Board of Directors.

6. **SECTION 6: RECORDS**

The Corporation shall keep a record of each complaint which satisfies the provisions of Section 2 of this Complaints Procedure, the Corporation's response and any action taken for a minimum period of three years from the date of its receipt of a complaint.

PROCEDURE IX. SETTLEMENT PROCEDURE - SPAIN

1. OVERVIEW

Settlement in the Spanish market has special features because of local registration requirements. Securities are registered at the Spanish securities depository, Iberclear, in the name of the beneficial owner ("**Registration Name**") and every change in ownership must be recorded via a registration reference number. The arrangements set out in this Procedure are designed to ensure that securities are re-registered in the appropriate Registration Name and settlement occurs in the most cost effective way possible and in compliance with applicable Spanish requirements.

1.1 Where a Participant is clearing a transaction for a Non-Clearing Firm, or for its own client or a client of the Non-Clearing Firm (any such third party being referred to in this Procedure as a "**Client**") the relevant Registration Name will normally be that of the Client.

1.2 Under these arrangements:

- (a) On each trading day (i.e., "**Trade Date**" or "**T**") the Corporation will net trades where the trade is (i) made with respect to an account that the Participant has designated as a Netting Account; and (ii) done on a proprietary basis based upon the information provided by the Participant as described in Section 2.2 below. Based upon such information, all trades in Eligible Instruments that settle at Iberclear ("**Spanish Eligible Instruments**") received from an Approved Entity made with respect to a Client Account (or a House Account) will either be (A) aggregated (that is, all purchases added up and, separately, sales added up, as opposed to netted), (B) netted, or (C) if the relevant account is designated by the Participant as a Non-Netting Account, all transactions with respect to that account will be reported on a trade-for-trade basis on the Participant's Position Detail Report. For this purpose, the Corporation permits Participants to designate one or more sub-accounts into which their Spanish activity may be credited.
- (b) In order to satisfy their Settlement Obligations to EuroCCP, Participants (whether directly, or through their Settlement Entities) are required to instruct Iberclear to receive or deliver the individual parts to or from the appropriate Registration Names ("**OTC Instructions**").

2. DOCUMENTATION AND RESPONSIBILITIES

2.1 Participants who wish to clear and settle Spanish Eligible Instruments must sign the following documentation:

- (a) *A Form of Undertaking and Power of Attorney*. This is designed to ensure that the Corporation can deal with securities to which it is entitled but which remain temporarily registered in the Registration Name of the Participant or the Participant's Client. This may occur where the Corporation has paid the Participant for the securities, or where a Participant with a Receive Entitlement has defaulted on its corresponding Payment Obligation
- (b) Where the Participant is clearing for a Non-Clearing Firm, a *Supplement* to the Designation Letter in relation to that Non-Clearing Firm confirming the Corporation's authority to accept Non-Clearing Firm transactions in Spanish Eligible Instruments from the Approved Entity Participant's behalf and that the Non-Clearing Firm agrees to the arrangements in this Procedure (the "**NCF Spanish Supplement**"). The NCF Spanish Supplement may also authorise the Corporation to act on information from the Non-Clearing Firm as the Participant's agent.

2.2 The Participant must also provide the following account administration information:

- (a) Participant BIC, and Non-Clearing Firm BIC if appropriate;
- (b) Netting level required for House and Client Account transactions: aggregation, full netting or non-netting.
- (c) Default Account Registration Name. The Registration Name is expressed as a BIC or as a COD number. Even if the Participant is clearing for Clients only, a Default Account Registration Name must be provided. (Ordinarily this will be the Participant's or its Non-Clearing Firm's name, depending on whether the party executing the transaction is the Participant or its Non-Clearing Firm.) This name will be used in circumstances where (i) no or incorrect or incomplete Registration Names are provided, (ii) the information is provided after the deadline as specified in this Procedure, or (iii) the Corporation determines such Registration Name is otherwise required or appropriate to comply with applicable law.

2.3 Participants are reminded that, in accordance with Rule 3, Section 3, the registration of transactions in Registration Names other than the Participant's name confers no rights or obligations, implied or otherwise, on the part of the registrant (or any other third party) vis-à-vis the Corporation.

3. SETTLEMENT PROCESS

- 3.1 The recurring activities during the days from trading/T to settlement/T+3 are described in the paragraphs below.

Trade Date/T

- 3.2 The Corporation will receive trades in Spanish equities from Approved Entities during the day. Each Accepted Trade will result in an updated settlement instruction for the ISIN, account and account type in which the trade is registered. The trades will be netted according to level specified by the Participant.
- 3.3 Each Approved Entity will close trading in Spanish equities at the time agreed with the Corporation and published in their respective rules. Each Approved Entity will send a special message ("**End Of Day Spain**") to the Corporation after the Approved Entity has closed trading in Spanish Eligible Instruments. Upon receipt of the last "End of Day Spain" message, the Corporation will generate two files which are delivered to Iberclear for reference and reconciliation usage only. One file containing the economic details of the transactions that are sent to Iberclear for the operation of the settlement, and the second file containing net positions by settlement agent.

T+1

- 3.4 The Corporation will send the settlement instructions to its Settlement Agent throughout the day on T+1 as it receives the applicable Registration Names, as described below.
- 3.5 Participants who wish their Delivery Obligations or Receive Entitlements to be registered in a Registered Name or Names other than their Default Account Registration Name must provide the Corporation with the necessary additional registration information via their pre-agreed communication method on T+1 prior to the deadline specified in Section 4.1 below. The information will be accepted from a Non-Clearing Firm where its GCP has authorised the Non-Clearing Firm to provide it. The Settlement Agent arranges the further split of the settlement instructions according to the additional registration information the Corporation receives. If no additional registration information is received before the deadline specified in Section 4 below, or if the information is incomplete or incorrect, the Default Account Registration Name will be used for further processing.
- 3.6 The reporting of Registration Names and the allocable splits should be submitted via an Excel spreadsheet (the "**Registration/Split Detail**") in the form specified by the Corporation from time to time by Important Notice.

The Corporation and its Settlement Agent will reconcile its settlement instructions received from the Corporation with the Registration/Split Detail. The Participant (and/or its Non-Clearing Firm, if so authorized) will be informed about any discrepancies arising from the reconciliation.

More precisely, the following scenarios may occur in a specific ISIN and for a specific Participant:

The number of shares specified by the Corporation exceeds the sum of all Registration Names and allocable splits specified in the Registration/Split Detail. The sender will receive a report with the outcome of the reconciliation, and may subsequently send a revised Registration/Split Detail. This will only be processed if received prior to the deadline. If no revised Registration/Split Detail is received, or if the revised details are received after the deadline, the Corporation will assign the Default Account Registration Name to the remaining number of shares not covered by the Registration/Split Detail.

The number of shares specified by the Corporation is less than the sum of all Registration names and splits specified in the applicable Registration/Split Detail. The sender will receive a report with the outcome of the reconciliation, and may subsequently send a revised Registration/Split Detail. This will only be processed if received prior to the deadline. If no revised Registration/Split Detail is received or if the revised details are received after the deadline, the Corporation will assign the Default Account Registration Name to the entire number of shares specified by the Corporation.

- 3.7 If no Registration/Split Detail is timely received by the Corporation, the applicable Default Account Registration Name will be assigned to each instruction.

T+2

- 3.8 The Corporation releases via the Settlement Agent OTC Instructions for the receipt of Spanish Eligible Instruments from Participants and the delivery of Spanish Eligible Instruments to Participants to Iberclear. The Participants (or their Settlement Entities, as applicable) are required to send the corresponding OTC Instruction instructions to Iberclear as well. Participants are reminded of their obligation to timely match their settlement instructions.
- 3.9 Participants have the ability to amend or correct Registration Names, if needed, up to 13:00 U.K. time on T+2 by sending a corrected Registration/Split Detail as long as the instruction is not matched at Iberclear.

- 3.10 Instructions with Iberclear that are not pre advised or matched by 14.00 UK time on T+2 will be cancelled by Iberclear. Instructions will be re-input by the Corporation with a new trade date and settlement date which are only applicable for the purpose of settlement at Iberclear. Please note the trade date and settlement date of the original transaction will remain for the purposes of recordkeeping and corporate actions.

Deliveries to EuroCCP that are cancelled as a result of failure to pre-advise or match on TD+2 will be subject to a fine imposed by EuroCCP. The value of the fine is based on the value of the settlement instruction.

T+3

- 3.11 The OTC Instruction to receive Eligible Instruments from a delivering Participant is intended to settle on T+3. The securities then become available with the correct registration details for the delivery via the OTC Instruction to the receiving Participant.

Instructions that are not settled by 13.00 UK time on T+3 will be cancelled by Iberclear. Instructions will be re-input by the Corporation with a new trade date and settlement date which are only applicable for the purpose of settlement at Iberclear. Please note the trade date and settlement date of the original transaction will remain for the purposes of recordkeeping and corporate actions.

Deliveries to EuroCCP that are cancelled as a result of not settling by 13.00 UK time on T+3 will be subject to a fine imposed by EuroCCP. The value of the fine is based on the value of the settlement instruction.

4 SETTLEMENT PROCESSING DEADLINES AND DETAILS.

- 4.1 Deadline for delivery of the Registration/Split Detail:

The final split information must be received via the agreed communications method on T+1 before 17.00 UK time. Participants are advised to provide such information as early in the day on T+1 as practicable to permit appropriate reconciliation and correction prior to the deadline.

- 4.2 Participants are advised that the Corporation performs sanctions screening (and such other anti-money laundering-related checks as may be appropriate) against Registration Names. Accordingly, Participants are requested, to the extent practicable, to provide advance notice of intended/anticipated Registration Names to the Corporation before they begin clearing transactions in Spanish Eligible Instruments that are intended to be registered in such names. The Corporation will announce, via Important Notice, its requirements

regarding the provision of such notice, as the Corporation may apply from time to time. For the avoidance of doubt, nothing in this paragraph 4.2 shall be construed as negating or limiting the Participant's own obligations (whether under the Participant's Agreement (including specifically clauses 2.4 and 4) the Rules or any applicable laws, rules regulations, treaties or sanctions) to maintain its own arrangements to ensure that it: (i) appropriately verifies the identity of persons for whom it clears transactions; and (ii) does not clear (or submit to EuroCCP for clearance and settlement) transactions for any person in contravention of any applicable legal or regulatory sanctions or restrictions.

PROCEDURE X. CASH EQUITY OTC/INSTITUTIONAL CLEARING SERVICE

1. The Corporation may offer a service whereby an Approved Entity that operates a transaction matching and, if applicable, allocation or affirmation facility, and which has been authorized by a Participant to act on its behalf, may submit transaction data relating to securities to the Corporation. This service, referred to as the “**OTC/Institutional Clearing**” or “**OTC/IC**” Service, provides a means whereby a Participant may clear its (or its Non-Clearing Firm’s) OTC broker-to-broker or institutional customer-side activity through the clearance systems of the Corporation. Institutional activity includes the repositioning of securities between Participants acting as executing brokers and Participants acting as prime brokers or custodians in support of their underlying customers. Thus a Participant or NCF acting as an executing broker may execute a transaction on an exchange or MTF (the “**Original Trade**”, which settles via the central counterparty for such venue) and then use this service to reposition the securities bought/sold between itself and another Participant acting on behalf of its client as a prime broker or custodian.

The Corporation adopts this Procedure to govern the processing of transaction data submitted by such Approved Entities, and for this purpose such transactions are referred to as “**OTC/IC Transactions**”.

- 1.1 **Submission of OTC/IC Data.** OTC/IC Transactions in Eligible Instruments that have been matched and, if applicable, affirmed or allocated, through the systems of an Approved Entity, and which are between Participants and/or Non-Clearing Firms, may be submitted to the Corporation by the Approved Entity for trade reporting in accordance with the Rules. After the parties have matched (and allocated or affirmed, if applicable) the OTC/IC Transaction in accordance with the rules of the Approved Entity, the Approved Entity will submit the OTC/IC Transaction to the Corporation as a locked-in transaction between Participants. In the case of institutional transactions, the use of this service enables the executing firm to offset trades that it has executed on behalf of its institutional customer, and which are allocated to and affirmed by the Participant (or its NCF) acting as prime broker or custodian. For example, if the Original Trade is a purchase order executed by a Participant, the OTC/IC Transaction submitted by the Approved Entity will show that Participant as the seller, and the prime broker or custodian bank Participant as the buyer, of the number of shares, and at the price, matched (and allocated, if applicable) through the Approved Entity’s systems. The Trade Date for OTC/IC Transactions which are repositioning institutional trades shall be the same date as the Trade Date of the relevant Original Trade. The Trade Date for OTC broker-to-broker OTC/IC Transactions matched through the systems of the Approved Entity shall be the date

determined by the parties in accordance with the rules of the approved Entity.

- 1.2 **Submission Cut-offs.** For purposes of processing through the Corporation's facilities, OTC/IC Transactions may be submitted for trade reporting through the Close of Business on Trade Date. Any OTC/IC Transaction data submitted on Trade Date after the Close of Business shall be rejected by the Corporation, and must be resubmitted by the Approved Entity on Trade Date + 1 (T+1) during normal business hours. The Corporation will accept submission of such data on T+1 through the Close of Business on that date. Any OTC/IC Transaction data submitted to the Corporation after the Close of Business on T+1 shall be rejected, and must be settled by the relevant parties outside the facilities of the Corporation.
2. **Novation of OTC/IC Transactions.** In accordance with the provisions of Rule 7, section 1.8, section 1.7 of that Rule will not apply to the Novation of OTC/IC Transactions, which shall be determined as provided below.
 - 2.1 The Corporation recognizes that Original Trades may be executed on a trading platform or market that is not cleared by the Corporation, and that all Original Trades will, in any event, be subject to novation rules applicable to such transactions under the rules of the relevant central counterparty that clears such trades. Moreover, a period of time may elapse between the time of the Original Trade, and the time that the relevant parties agree on the allocation and matching of the corresponding OTC/IC Transaction(s). Accordingly, OTC/IC Transactions will be Novated to and accepted by the Corporation **only** upon their receipt and proper validation, as follows:
 - (a) the OTC/IC Transaction is submitted to the Corporation within the timeframes specified in Section 1.2 above;
 - (b) the transaction data satisfies the requirements of the Corporation for validation and acceptance of transactions in force and applied by the Corporation at the time data such is received (including, but not limited to, the requirement that prior to such time the Corporation has not ceased to act for a Participant party to the OTC/IC Transaction, or ceased to accept for processing transactions in the relevant security).
 - 2.2 Each OTC/IC Transaction shall be deemed to be an "**Accepted Trade**" for purposes of Section 1.1 of Rule 7, and shall be novated as provided in Section 1.3 of Rule 7, at the time when the transaction is validated and accepted by the Corporation as provided above. References in the Rules to the "**Time of Novation**" will apply accordingly.

PROCEDURE XI - CASH PAYMENT PROCEDURES*

1. OVERVIEW

This Procedure is designed to reduce risks in the Corporation's cash payment arrangements (particularly by enabling the Corporation cash payment instructions to qualify as "payment transfer orders" under the EU Settlement Finality Directive and related UK regulations). It constitutes the "Cash Payment Procedures" referred to in the Rules.

2. REQUIREMENTS TO USE "ELIGIBLE CASH PAYMENT BANKS"

- 2.1 Every Participant is required to designate an "**Eligible Cash Payment Bank**" for each currency in which it makes payments to the Corporation (including, for the avoidance of doubt, payments of Margin, contributions to the Guarantee Fund, contributions to the Interoperating Margin Fund or Funds Only Settlement), such Eligible Cash Payment Bank being a central bank or credit institution which:
- (a) the Corporation has determined meets the eligibility criteria set in Section 3 below ("**Eligibility Criteria**");
 - (b) has agreed with the Corporation to comply with the procedures in Sections 4 and 5 below ("**Bank Procedures**"); and
 - (c) has agreed with the Participant to arrange payments for it in accordance with this Procedure.
- 2.2 All payments of Margin, contributions to the Guarantee Fund, contributions to the Interoperating Margin Fund and Funds Only Settlement ("**cash payments**") must (unless the Corporation agrees otherwise) be made by electronic funds transfer from an account of the Participant at its Eligible Cash Payment Bank to an account notified by the Corporation to the Eligible Cash Payment Bank from time to time.
- 2.3 Each Participant will be required to give written authority to its Eligible Cash Payment to make all such payments by automatic debit based upon ISO instructions sent by the Corporation to the Eligible Cash Payment Bank.
- 2.4 It remains the responsibility of each Participant to ensure that the Corporation receives the requisite cash payments in due time, and a Participant is not excused from this responsibility by any delay or failure by its Eligible Cash Payment Bank to make any payment, or if its Eligible Cash Payment Bank ceases to act for it.

* Participants have 3 months from October 1, 2011 within which to implement the new requirements and ensure they execute and return the Eligible Cash Payment Bank Agreement to EuroCCP

- 2.5 Each Participant shall ensure that all cash payments are made by an Eligible Cash Payment Bank.
3. **ELIGIBILITY CRITERIA.**
- 3.1 The following institutions may be Eligible Cash Payment Banks:
- (a) central banks that satisfy the requirements of paragraph 3.2(a) below; and
 - (b) credit institutions that satisfy the requirements of paragraph 3.2(b) below.
- 3.2 In order to be an Eligible Cash Payment Bank:
- (a) a central bank must be a national (or multi-national) public institution that:
 - (i) is the primary monetary authority and lender of last resort of a country (or group of countries) where, at all times, the sovereign debt of such country (or group of countries) has [a minimum long term rating of A- or equivalent from a recognised credit rating agency (which may include Standard & Poor's, Moody's, Fitch or any additional or alternative credit rating agencies deemed acceptable by the Corporation from time to time)]; and
 - (ii) provides bank accounts and cash payment facilities to third parties in respect of a currency in which a cash payment to the Corporation may be made pursuant to the Rules and Procedures; and
 - (b) a credit institution must at all times have (either itself or its ultimate parent) a minimum long term rating of A- or equivalent from a recognised credit rating agency (which may include Standard & Poor's, Moody's, Fitch or any additional or alternative credit rating agencies deemed acceptable by the Corporation from time to time).
- 3.3 Participants who choose to pay Margin in US dollars must use an Eligible Cash Payment Bank operating through a branch in the United Kingdom where the Corporation also has a USD account, so as to enable payments to be made on an intra-bank basis.
- 3.4 A list of Eligible Cash Payment Banks can be found on the Corporation's website (www.euroccp.co.uk), as updated by the Corporation from time to time.

- 3.5 A central bank or a credit institution will cease to be an Eligible Cash Payment Bank upon the occurrence of any circumstances in paragraph 5.1 below.
- 3.6 A Participant that itself is credit institution may act as its own Eligible Cash Payment Bank; and it may still act as such for itself if it ceases to meet the Eligibility Criteria, provided that:
- (a) the Participant must at all times be in compliance with the minimum capital requirements applicable to the Participant for continued participation as a "Participant" pursuant to the Rules; and
 - (b) it may no longer act as a cash payment bank for any other Participant.

4. BANK PROCEDURES: PAYMENTS AND COMMUNICATIONS

4.1 An Eligible Cash Payment Bank must agree to comply with the following procedures.

4.2 The Eligible Cash Payment Bank will:

- (a) nominate primary contact and backup contact individuals who are appropriately authorised to respond to queries from the Corporation in relation to payment issues and provide to the Corporation contact data in respect of such individuals as are nominated from time to time (such contact data to include, at the minimum, the email address, physical address, telephone number and fax number of such contacts);
- (b) ensure that at least one of the individuals nominated pursuant to paragraph 4.2 (a) is available for the purposes described in that paragraph during the Eligible Cash Payment Bank's operating hours on each Business Day;
- (c) liaise and cooperate with the Corporation in order to enable the Corporation to follow up and investigate any payment issue; and
- (d) prior to becoming operational as an Eligible Cash Payment Bank, establish communication links and complete such operational testing as the Corporation may require.

4.3 Subject to paragraph 4.4 below, the Eligible Cash Payment Bank will make all payments:

- (a) in respect of Daily Margin Amounts and Guarantee Fund Contributions by 9:30 am London time and in respect of Intra-Day Margin calls, when issued, within one hour of issuance; and

- (b) in respect of Funds Only Settlement by such cut-off times as the Corporation may specify from time to time; and
- (c) in respect of any other cash payments required to be made pursuant to the Rules or any Procedures (including any form of Margin other than Margin Amounts), by such cut-off times as the Corporation may specify from time to time,

in each case by electronic funds transfer to the account designated by the Corporation.

4.4 The obligations of an Eligible Cash Payment Bank under paragraph 4.3 are subject to:

- (a) receipt of complete instructions from the Corporation in accordance with Section 2 above; and
- (b) any failure or delay in the execution of the transfer which is beyond Eligible Cash Payment Bank's reasonable control.

4.5 In the event that the Eligible Cash Payment Bank declines to make a payment, it will notify the Corporation as promptly as practicable by telephone and email in each case, to such telephone number and email address as may be specified for this purpose by the Corporation from time to time.

4.6 For the avoidance of doubt, the Participant and the Eligible Cash Payment Bank agree that any notification to be made to EuroCCP by either the Participant or the Eligible Cash Payment Bank pursuant to these Procedures shall not constitute a breach of, or be prevented by, any restriction against disclosure of information in any other agreement between the Eligible Cash Payment Bank and the Participant.

5. **BANK PROCEDURES: TERMINATION OF ARRANGEMENTS**

Loss of Eligibility

5.1 A central bank or credit institution will cease to qualify to be an Eligible Cash Payment Bank if:

- (a) it ceases to meet the criterion in paragraph 3.1 above; or
- (b) it has persistently failed to comply with the Bank Procedures, and for the purpose of this paragraph, a "**persistent**" failure shall be deemed to have arisen if the Corporation provides more than one written notice to the central bank or credit institution drawing its attention to one or more failures to comply with the Bank Procedures and the second such notice (the "**second notice**") relates either: (1) to an existing failure that has not been

resolved to the Corporation's satisfaction within the period specified in the Corporation's first written notice; or (2) to a subsequent failure following the failure specified in the Corporation's first written notice; or

- (c) it voluntarily terminates its status as an Eligible Cash Payment Bank in accordance with paragraph 5.3 below.

- 5.2 Upon becoming aware of any of the circumstances in paragraph 5.1 having occurred, the Corporation will immediately give written notice (a) to the central bank or credit institution concerned that it has ceased to qualify as an Eligible Cash Payment Bank and (b) to the Participants for which the central bank or credit institution acts that it has ceased to qualify as an Eligible Cash Payment Bank or has given notice that it intends to terminate its status as such. In such event, the central bank or credit institution shall cease to be an Eligible Cash Payment Bank on the expiry of the 90th day following the Corporation's issuance of such notice or, in the case of voluntary termination, on the date specified by the Eligible Cash Payment Bank in a notice provided in accordance with paragraph 5.3 below.

Termination by Eligible Cash Payment Bank

- 5.3 The Eligible Cash Payment Bank will not:
- (a) terminate its status as an Eligible Cash Payment Bank without having provided the Corporation with at least 90 days' prior written notice; or
 - (b) cease to act as such for any Participant that has designated it as its Eligible Cash Payment Bank without having provided the Corporation with at least 10 days' prior written notice.
- 5.4 For the avoidance of doubt:
- (a) an Eligible Cash Payment Bank may cease to act for a Participant on shorter notice than is specified in paragraph 5.3(b) if it considers (in its absolute discretion) that it is necessary to protect its own interests; and
 - (b) paragraph 5.3 is without prejudice to the Eligible Cash Payment Bank's right to decline to make any or all payments for any reason for a Participant in the interim,

provided in each case that if it does so it will promptly notify the Corporation of such decision in accordance with paragraph 4.5.

Continuing obligation of the Participant

5.5 In the event that a Participant is notified (whether by the Corporation or by its Eligible Cash Payment Bank) or otherwise becomes aware that the central bank or credit institution used by the Participant:

(a) has ceased or is to cease to be an Eligible Cash Payment Bank;
or

(b) has ceased, or is to cease, to act for the Participant individually

the Participant must promptly make arrangements for another Eligible Cash Payment Bank to act for it in respect of any cash payment to be made by the Participant.

5.6 For the avoidance of doubt, nothing in this Procedure shall limit, fetter or restrict the Corporation from exercising its rights under the Rules to suspend or to cease to act for the Participant, or to exercise any other rights of the Corporation under the Rules, in the event that the Participant does not have effective arrangements with an Eligible Cash Payment Bank to facilitate cash payments to the Corporation.

6. **NO GUARANTEE**

For the avoidance of doubt, nothing in this Procedure shall, or is intended to, constitute a guarantee by an Eligible Cash Payment Bank to the Corporation in respect of payments due to the Corporation from any Participant on whose behalf an Eligible Cash Payment Bank is acting.