
European Central Counterparty Limited (EuroCCP)

Rules
2 October 2009



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RULE 1- INTERPRETATION

1. Unless the context requires otherwise, the terms defined in this Rule shall, for all purposes of these Rules, have the meanings specified below.

"Acceptable Currency"	means Euro, Sterling or Dollars or such other currency or currencies as the Corporation may from time to time determine for the relevant purpose;
"Acceptable Currency Equivalent"	means, in relation to an amount denominated in one Acceptable Currency, an amount of another Acceptable Currency capable of being purchased with the relevant amount of the first Acceptable Currency at the buying rate prevailing in the London foreign exchange market at the relevant time as determined by the Corporation;
"Accepted Trade"	means a contract originally made between two parties, each of which was either a Participant or a Non-Clearing Firm, in respect of Eligible Instruments in an Acceptable Currency, which has been novated under Section 1 of Rule 7;
"Accountable Participant"	has the meaning given to it in Section 16 of Rule 7;
"Act"	means the Financial Services and Markets Act 2000;
"Additional Obligations"	has the meaning given to it in Section 4 of Rule 12;
"Addressee"	has the meaning given to it in Section 1 of Rule 28;
"Affected Person"	has the meaning given to it in Rule 24;
"Alternative Currency"	has the meaning given to it in Section 4 of Rule 4;
"Appeals Panel"	has the meaning given to it in Section 6 of Rule 22;
"Applicant"	means an entity which has applied to become a Participant;
"Applicant Questionnaire"	means the questionnaire to be completed by an Applicant pursuant to Rule 2;
"Approved Entity"	has the meaning given to it in Section 1 of Rule 6;
"Approved Facility"	means a regulated securities market (including an exchange or multilateral trading facility) designated as such by the Corporation from time to time;
"Approved Letter of Credit Issuer"	has the meaning given to it in Section 14 of Rule 4;

"Associate"	means, in relation to any person, any partner, director or officer of such person, or any person controlling or controlled by such person;
"Auditors"	means, in relation to a Participant, its external auditors or public accountants;
"Board of Directors"	the board of directors for the time being of the Corporation;
"Breach"	has the meaning given to it in Section 3 of Rule 21;
"Business Day"	means any day on which the Corporation is open for business, and shall include any day on which an Approved Entity is open and submitting transactions to the Corporation;
"Buy-In"	means the action which may be taken under the Buy-In procedure established by the Corporation from time to time pursuant to Section 15 of Rule 7;
"Buy-In Discharge Payment"	has the meaning given to it in Section 15 of Rule 7;
"CEDR"	has the meaning given to it in Section 6 of Rule 22;
"Charging Documents"	means, in relation to a Participant, the charging document(s) given or to be given by that Participant in favour of the Corporation pursuant to Section 8 of Rule 4;
"Clearing Contract"	means a contract between the Corporation and a Participant entered into or otherwise arising under these Rules;
"Clearing Data"	has the meaning given to it in Section 2 of Rule 23;
"Client Account"	has the meaning given to it in Section 2 of Rule 4;
"Close of Business"	means, with respect to a Business Day, 5:00 p.m. on such Business Day, unless otherwise determined by the Corporation;
"Collateral"	means cash and/or Eligible Government Securities and/or any other property acceptable to the Corporation deposited with or provided by a Participant to the Corporation in respect of its Margin Amount;
"Compensation Amount"	means an amount payable by a Participant or the Corporation (as the case may be) as required by Section 13 of Rule 7;
"Complaint"	means any expression of dissatisfaction about the manner in which the Corporation has provided facilities and services in the course of providing its services

	hereunder;
"Consultation Procedures"	has the meaning given to it in Rule 19;
"Contribution"	means the amount required to be contributed by a Participant to the Guarantee Fund or, as the case maybe, the amount for the time being contributed by the Participant to the Guarantee Fund;
"Controller"	has the meaning given in the Act and "control" shall be construed accordingly;
"Corporation"	means European Central Counterparty Limited (registered in England under company number 06169558);
"Corresponding Contract"	has the meaning given to it in Section 3 of Rule 12;
"Daily Margin Amount"	means in relation to any day, the amount of Collateral to be provided by a Participant to the Corporation on that day pursuant to Section 1 of Rule 4;
"Decision Notice"	has the meaning given to it in Section 5 of Rule 22;
"Default Loss"	means any Loss incurred by the Corporation as a result of a failure by a Participant to fulfil its obligations to the Corporation;
"Default Notice"	means, in relation to a Participant, a default notice issued by the Corporation pursuant to Section 2 of Rule 12;
"Default Requirement"	has the meaning given to it in Section 1 of Rule 12;
"Defaulter"	has the meaning given to it in Section 2 of Rule 12;
"Defaulting Participant"	means a Participant whose failure to fulfil its obligations to the Corporation has resulted in a Default Loss;
"Delivery Obligation"	means a Participant's obligation to deliver Eligible Instruments to the Corporation;
"Discharged Rights and Obligations"	has the meaning given to it in Section 1 of Rule 7;
"Disciplinary Notice"	has the meaning given to it in Section 7 of Rule 21;
"Dollars" or "\$"	means US dollars;
"EEA State"	has the meaning given to it in the Act;
"Eligible Government Securities"	means such government securities as are specified by the Corporation from time to time and issued and

	denominated in an Acceptable Currency;
"Eligible Instruments"	has the meaning given to it in Section 1 of Rule 26;
"Eligible Letter of Credit"	has the meaning given to it in Section 14 of Rule 4;
"Entitled Participant"	has the meaning given to it in Section 16 of Rule 7;
"Euro" or "€"	means the single currency of participating member states adopted under Council Regulation (EC) No. 974/98;
"Excess Loss"	has the meaning given to it in Section 10 of Rule 4;
"Excess Regulatory Capital"	means, in relation to a Participant as at a particular date, the amount (if any) by which the Regulatory Capital of the Participant exceeds the Regulatory Capital required by the rules of its Regulator, as determined by the Corporation;
"Failed Long Position"	means, after the Scheduled Settlement Date applicable to it, a Receive Entitlement that has not yet settled;
"Failed Settlement Position"	means either a Failed Short Position or a Failed Long Position, as the case may be;
"Failed Short Position"	means, after the Scheduled Settlement Date applicable to it, a Delivery Obligation which has not yet settled;
"First Currency"	has the meaning given to it in Section 3 of Rule 27;
"FSA"	means The Financial Services Authority;
"Funding Deficiency"	has the meaning given to it in Section 10 of Rule 4;
"Funding Requirement"	has the meaning given to it in Section 9 of Rule 4;
"Funds Only Settlement Obligation"	has the meaning given to it in Section 2 of Rule 8;
"General Clearing Participant"	has the meaning given to it in Section 5 of Rule 2;

"Group"	means a parent undertaking and its subsidiary undertakings as defined in section 1162 of the Companies Act 2006;
"Group Company"	means, in relation to a Participant, any company that is for the time being a member of the same Group;
"Guarantee Fund"	means the fund to which each Participant is required to contribute under Section 6 of Rule 4 or, as the case may be, the aggregate amount for the time being contributed by all Participants to such fund;
"House Account"	has the meaning given to it in Section 2 of Rule 4;
"IFRS"	has the meaning given to it in Section 3 of Rule 2;
"Indemnifying Participant"	has the meaning given to it in Section 4 of Rule 27;
"Insolvency Event"	means, in relation to a Participant, any of the events set out in paragraphs (t) to (cc) inclusive of Section 9.1 of Rule 11;
"Insolvency Law"	means all bankruptcy, insolvency, liquidation, winding-up, reorganisation and moratorium laws of the United Kingdom (including, without limitation, the Insolvency Acts 1986 and 2000) or of any other applicable jurisdiction outside the United Kingdom, in each case as amended from time to time; and also includes all laws (by whatever name) of the same or other jurisdictions from time to time in force for the relief of debtors or the administration or liquidation of debtors' estates for the benefit of their creditors (including, without limitation, all Insolvency Protection);
"Insolvency Protection"	means, in respect of any Participant, any procedure available in relation to it under applicable law for re-adjustment, rescheduling, moratorium, suspension of payments, protection, relief, composition, reconstruction, reorganisation, voluntary arrangement, administration or receivership of such Participant, its property, assets or undertaking, or its debts; provided, however, that the term "Insolvency Protection" shall not extend to any solvent consolidation, amalgamation or merger of the Participant the terms of which have been approved by the Corporation in advance in writing;
"Interested Person"	has the meaning given to it in Section 1 of Rule 22;
"Intra-day Margin Amount"	means the amount required by the Corporation pursuant to Section 1 of Rule 4;

"ISIN"	means the International Securities Identification Number as defined by International Organization for Standardization Standard 6166;
"LC Issuer"	has the meaning given to it in Section 14 of Rule 4;
"Late Receiving Participant"	has the meaning given to it in Section 13 of Rule 7;
"Long Position"	means, with respect to each Eligible Instrument, the amount of Eligible Instruments that a Participant is entitled and obliged to receive from the Corporation;
"Loss"	means all or any losses, liabilities, claims, costs or expenses of any nature, whether direct, indirect, special, consequential or otherwise, including (without limitation) all professional fees and disbursements and applicable taxes, including but not limited to VAT thereon;
"Loss Allocation Notice"	means a notice served by the Corporation pursuant to Section 10 in Rule 4;
"Margin Amount"	has the meaning given to it in Section 1 of Rule 4;
"Market Disruption Event"	has the meaning given to it in Section 1 of Rule 9;
"Maximum Liability Amount"	has the meaning given to it in Section 10 of Rule 4;
"Minor Rule Violation"	has the meaning given to it in Section 1 of Rule 22;
"Netted"	has the meaning given to it in Section 2 of Rule 7;
"Netting Account"	means an account designated as such in accordance with Section 2 of Rule 7;
"Non-Netting Account"	means an account designated as such in accordance with Section 2 of Rule 7;
"Nominated Officer"	an individual nominated by the Corporation for the relevant purpose;
"Non-Clearing Firm"	means a Non-Participant which is entitled to trade as a member or participant of an Approved Facility or user of an Approved Entity;
"Non-Participant"	has the meaning given to it in Section 1 of Rule 2;
"Novation"	has the meaning contemplated in Section 1 of Rule 7 and " novated " shall be construed accordingly;
"Original Decision"	has the meaning given to it in Section 6 of Rule 22;
"Original Transaction"	has the meaning given to it in Section 1 of Rule 7;

"Panel"	has the meaning given to it in Section 3 of Rule 22;
"Pan-European Equity Business"	means the Corporation's business of clearing transactions in the equity markets of the European Union, Norway and Switzerland; ¹
"Partial Delivery"	has the meaning given to it in Section 12 of Rule 7;
"Participant"	means a person admitted to use of the Corporation's services and "participate" and "participation" shall be construed accordingly;
"Participant's Agent"	has the meaning given to it in Section 1 of Rule 8;
"Participant Director"	has the meaning given to it in the Articles of Association of the Corporation;
"Participant Obligations"	means, in relation to a Participant, all agreements and other documents (including powers of attorney) for the time being in force between the Corporation and that Participant;
"Participant Standard"	has the meaning given to it in Section 5 of Rule 2;
"Payment Entitlement"	means the right to receive an amount determined by the Corporation pursuant to the Rules;
"Payment Obligation"	means an obligation to pay an amount determined by the Corporation pursuant to the Rules;
"Permitted Agent"	has the meaning given to it in Section 2 of Rule 5;
"Pool"	has the meaning given to it in Section 3 of Rule 22;
"Position Detail Report"	has the meaning given to it in Section 3 of Rule 6;
"Predecessor"	has the meaning given to it in Section 8 of Rule 2;
"Prescribed Form"	means a form prescribed by, or otherwise acceptable, to the Corporation;
"Procedures"	means procedures adopted by the Corporation pursuant to Rule 18 and for the time being in force;
"Qualified Financial Institutions"	has the meaning given to it in Rule 29;
"Real-time"	means, with respect to the submission of trade data to the Corporation, the submission of trade data on a

¹ This definition covers any transaction in a security where such transaction is executed on via or by an Approved Entity operating within any jurisdiction in the European Union, Norway or Switzerland and where the execution of that transaction is governed by the law of any such jurisdiction, regardless of the domicile of the issuer of the security.

	trade-by-trade basis promptly after trade execution, in any format and by any communication method acceptable to the Corporation;
"Receive Entitlement"	means a Participant's entitlement to receive Eligible Instruments;
"Recipient"	has the meaning given to it in Section 16 of Rule 7;
"Recognition Regulations"	means the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001;
"Refund"	has the meaning given to it in Section 10 of Rule 4;
"Regulator"	means (in relation to any person) the regulatory body which has primary responsibility for regulating the conduct of that person's securities and/or banking business;
"Regulatory Capital"	means, for those credit institutions and investment firms whose capital is calculated with reference to the Basel Capital Accord, Tier 1 capital within the meaning of the Accord, and for any other Applicant or Participant, such equivalent as may be agreed between the Corporation and the Applicant or Participant concerned;
"Regulatory Functions"	has the meaning given to it in section 291(3) of the Act;
"Relevant Circumstance"	has the meaning given in Section 5 of Rule 10;
"Relevant Default Loss"	means a Default Loss to the extent that it arises in relation to the Pan-European Equity Business;
"Relevant Loss"	has the meaning given to it in Section 10 of Rule 4;
"Relevant Margin Amount"	has the meaning given to it in Section 10 of Rule 4;
"Relevant Notice"	has the meaning given to it in Section 10 of Rule 4;
"Relevant Office-Holder"	has the meaning given to it in Section 2 of Rule 12;
"Relevant Persons"	has the meaning given to it in Section 1 of Rule 8;
"Relevant Securities Depository"	has the meaning given to it in Section 1 of Rule 8;
"Relevant Settlement Rules"	has the meaning given to it in Section 3 of Rule 7;
"Relevant Stamp Tax"	means, in relation to a Participant, any stamp duty or similar Tax which is charged in any jurisdiction in relation to;

- (a) any contract which gives rises to:
 - (i) an obligation on the part of the Participant to deliver Eligible Instruments to the Corporation; or
 - (ii) an obligation on the part of the Corporation to deliver Eligible Instruments to the Participant; or
- (b) any transfer of Eligible Instruments (whether by book entry or otherwise) pursuant to an obligation of a kind referred to in (a);

"Report"	means any document, record, or other output prepared by the Corporation and made available to a Participant in any format (including, but not limited to, machine-readable, facsimile and print-image formats) or medium (including, but not limited to, print copy, facsimile, video display terminal, and electronic transmission) that provides information to such Participant with regard to the services provided by, or the operations of, the Corporation and references to "issue" in relation to a Report, includes, transmission or dissemination by any means;
"Retirement Date"	has the meaning given to it in Section 9 of Rule 11;
"Retiring Participant"	has the meaning given to it in Section 10 Rule 4;
"Review Period"	has the meaning given to it in Section 3 of Rule 2;
"Rule Change"	has the meaning given to it in Rule 19;
"Rules"	means these Rules and appendices (if any), as amended from time to time;
"Scheduled Settlement Date"	means, in relation to a trade, the day on which such trade is scheduled by the Corporation to settle, regardless of whether such trade actually settles on such day;
"Second Currency"	has the meaning given to it in Section 3 of Rule 27;
"Sell-Out"	means the action which may be taken under the Sell-Out procedure Rules established by the Corporation from time to time pursuant to Section 15 of Rule 7;
"Settlement Account"	has the meaning given to it in Section 3 of Rule 15;
"Settlement Arrangements"	has the meaning given to it in Section 1 of Rule 8;
"Settlement Authority"	has the meaning given to it in Section 1 of Rule 8;

"Settlement Date"	means, in relation to a trade, the day on which such trade is to settle, as established by the original counterparties;
"Settlement Entity"	has the meaning given to it in Section 1 of Rule 8;
"Settlement Finality Regulations"	means the Financial Market and Insolvency (Settlement Finality) Regulations 1999;
"Settlement Obligation"	means any or all of a Delivery Obligation, a Payment Obligation, a Receive Entitlement and a Payment Entitlement;
"Settling Bank"	means the credit institution through which the settlement of Payment Obligations and Payment Entitlements is to be effected;
"Short Position"	means, in relation to each Eligible Instrument, the amount of Eligible Instruments that a Participant is obliged to deliver to the Corporation;
"Sterling" or "£"	means lawful currency for the time being of the United Kingdom;
"Subsidiary"	has the meaning given in Section 736 of the Companies Act 1985;
"System"	<p>means the formal arrangements, rules and procedures operated by the Corporation and the services provided by it as described in the Rules and the Procedures (each as amended from time to time) as published from time to time by the Corporation including without limitation the arrangements:</p> <ul style="list-style-type: none"> (i) for the Corporation to receive, validate and accept transaction data in Eligible Instruments for clearance and settlement on behalf of Participants; (ii) for the Corporation to act as central counterparty to Participants in respect of transactions between Participants in Eligible Instruments accepted by the Corporation and to net such transactions in accordance with the Rules; (iii) for the settlement of such transactions, including the arrangements for net settlement and Funds Only Settlement; (iv) for Participants and the Corporation to give settlement instructions to Settlement Entities; (v) for the Corporation and Participants to fulfil their obligations incurred in respect of Clearing

Contracts and otherwise under the Rules, and for Participants to make contributions by way of Margin Amount and to the Guarantee Fund, including the enforcing of collateral;

- (vi) for the Corporation to establish and implement default rules;

and includes the rules and arrangements established from time to time by any Settlement Entity integral to the clearing and settlement of such transactions and the implementation of Transfer Orders in accordance with the Rules.

"Tax"	means any tax, levy, impost, duty or other charge or withholding of a similar nature imposed by any competent authority in any jurisdiction, including any interest, penalty, charge and/or expense payable in connection with any failure to pay or any delay in paying any of the same;
"Tax Deduction"	means a deduction or withholding for or on account of Tax from a payment by a Participant to the Corporation (or vice versa) pursuant to these Rules, the Procedures and/or the Participant Obligations;
"Termination Event"	has the meaning given to it in Section 8 of Rule 11;
"Termination Notice"	has the meaning given to it in Section 10 of Rule 4;
"Time of Novation"	has the meaning give to it in Section 1 of Rule 7;
"Trade Status Report"	has the meaning given in Section 3 of Rule 6;
"Transfer Order"	means an instruction given by or on behalf of the Corporation or a Participant of a kind specified by the Corporation as provided in Section 6 of Rule 8;
"UK Client Money Rules"	means the rules of the FSA in relation to clients' money;
"UK Client Transaction"	means a transaction cleared by a Participant in relation to which any money received by the Participant: (a) is clients' money for the purposes of the UK Client Money Rules; or (b) would be clients' money for the purposes of the UK Client Money Rules were it not money which, in accordance with those rules, may be regarded as immediately due and payable to the Participant for its own account.

"UK Participant"	means a Participant which is an authorised person under the Act and to which the UK Client Money Rules apply;
"Underlying Holders"	has the meaning given to it in Section 16 of Rule 7;
"United Kingdom" or "UK"	means the United Kingdom of Great Britain and Northern Ireland;
"Unpaid Balance"	has the meaning given to it in Section 7 of Rule 4;
"US Dollar" or "US\$"	means lawful currency for the time being of the United States of America;
"VAT"	means value added tax as provided for in the Value Added Tax Act 1994 and any other Tax of a similar nature imposed from time to time by any competent authority in any jurisdiction;
"Wind-Down Participant"	has the meaning given to it in Rule 16;
"Written Request"	has the meaning given to it in Section 1 of Rule 22; and
"Written Statement"	has the meaning given to it in Section 1 of Rule 22.

2. Reference to these Rules, or reference to a provision of any of them, shall be a reference to these Rules, or any provision of them as amended, supplemented, restated and/or replaced from time to time. References to a Section or paragraph shall, unless otherwise specified, be treated as referring to a Section or paragraph of the Rule in which the reference appears.
3. Reference to the singular includes the plural (and vice versa); reference to a **"person"** includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing; reference to the **"employee"** of a person includes a person employed or appointed by that person in connection with its business, whether under a contract of service or for services or otherwise; reference to a person or a party (howsoever described) shall include its successors; reference to a **"regulation"** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation; and reference to a provision of any statute or regulation shall (unless the contrary is indicated) be to a statute or regulation of the United Kingdom and shall include a reference to any amended or re-enacted version of such provision with effect from the date on which it comes into force.
4. Reference to **"securities"** includes shares, stock, debentures, debenture stock, bonds and other investments (as listed in Part II, Schedule 2 of the Act), whether certificated or uncertificated and whether in registered or bearer form, including all depository interests representing any of them.

5. In construing these Rules, general words whether or not introduced by the word "other" shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things, and general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words. In addition, the words "**including**" and "**in particular**" shall be construed to mean "including, without prejudice to the generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing" respectively.
6. Headings are used in these Rules for ease of reference only.

RULE 2 - PARTICIPANTS**1. SECTION 1 – ADMISSION TO PARTICIPATION**

1.1 The Corporation shall provide services to those persons who:

- (a) qualify for admission as Participants under these Rules;
- (b) apply to the Corporation to act for them; and

whose applications are approved by the Corporation, and who have paid the Margin Amount provided for in Section 1 of Rule 4 and have contributed to the Guarantee Fund as provided in Section 6 of Rule 4.

1.2 A person whose application to become a Participant has been approved by the Corporation shall pay to the Corporation the Margin Amount and its contribution to the Guarantee Fund determined in accordance with the provisions of Rule 4 and shall sign and deliver to the Corporation an instrument in writing as provided in Section 2 of this Rule and such other documents as provided by these Rules.

1.3 Only Participants shall be entitled to settle or carry out contracts or transactions through the Corporation. A Participant who settles or carries out through the Corporation any contract or transaction for a person who is not a Participant (a "**Non-Participant**"), including any Non-Clearing Firm shall, so far as the rights and obligations of the Corporation and all other Participants are concerned, be treated as dealing solely as principal and shall be liable as such. A Non-Participant (including a Non-Clearing Firm) who settles or carries out contracts or transactions through a Participant shall not possess or be deemed to possess any of the rights or benefits of a Participant or to have any right or interest in any Accepted Trade or any other right under these Rules or under any Participant Obligations.

2. SECTION 2: PARTICIPANT'S AGREEMENT

2.1 Each Applicant shall sign and deliver to the Corporation an instrument in writing in the Prescribed Form whereby the Applicant shall agree:

- (a) to abide by the Rules and to be bound by all the provisions thereof and that the Corporation shall have all the rights and remedies set out in or contemplated by the Rules;
- (b) that the Rules shall be a part of the terms and conditions of every contract or transaction which it may make or have with the Corporation;
- (c) not to clear or settle through the Corporation any contract or transaction unless the Rules are a part of the terms and conditions of such contract or transaction;
- (d) to pay to the Corporation the charges provided for by the Rules for clearing and other services rendered and such fines as may be imposed in accordance with such Rules;

- (e) to pay to the Corporation any other amounts which pursuant to the provisions of the Rules shall become payable by the Participant to the Corporation;
- (f) that the determination of the Corporation of all questions affecting the amounts which it is required to contribute to or maintain in the Guarantee Fund shall be final and conclusive;
- (g) to be bound by any amendment to the Rules made in accordance with Rule 19;
- (h) that its agreement with the Corporation shall ensure to the benefit of and be binding upon the parties thereto and their respective successors;
- (i) in the event that a Settlement Entity brings any action or proceeding against the Corporation in the courts of any country or jurisdiction outside England and Wales in connection with the services provided by the Corporation to the Participant, and the courts of such country or jurisdiction obtain jurisdiction over the Corporation, the Applicant hereby irrevocably submits to the jurisdiction of such courts in the event that the Corporation joins or seeks to join the Applicant in such action or proceedings;
- (j) that the Applicant irrevocably submits, for the Corporation's exclusive benefit, to the jurisdiction of the English court (but without prejudice to the Corporation's right to commence proceedings against any Participant in any other jurisdiction) and irrevocably waives any objection on the ground of venue or forum non conveniens or any similar grounds;
- (k) that such agreement shall be governed and construed in accordance with English law;
- (l) that any judgment obtained in an action or proceeding may be enforced in the courts of any jurisdiction where the Applicant or any of its property may be found, and that the Applicant irrevocably submits to the jurisdiction of each such court in respect of any such judgment;
- (m) that the Applicant irrevocably waives, with respect to itself and its revenues and assets, all immunity on the grounds of sovereignty or other similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgement) and execution or enforcement of any judgement to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any proceedings; and
- (n) that the Applicant will not submit or cause to be submitted for processing by the Corporation any transaction the settlement of which may be prevented or impeded by any legal or regulatory restriction applicable to the Applicant.

3. **SECTION 3 – INFORMATION AND DOCUMENTS TO BE PROVIDED BY APPLICANTS**
- 3.1 Each Applicant shall deliver to the Corporation such documents and information (in each case in the Prescribed Form) as the Corporation may in any particular case require including:
- (a) one or more legal opinions in relation to such matters as the Corporation may require;
 - (b) a letter of representation in relation to such matters as the Corporation may require;
 - (c) a completed Applicant Questionnaire;
 - (d) a copy of the Applicant's financial statements for the two fiscal years ending immediately preceding the year in which application is made ("**the Review Period**"), certified without qualification by the applicant's Auditors. To the extent that such audited financial statements are not prepared in accordance with International Financial Reporting Standards ("**IFRS**"), the Applicant shall if so requested by the Corporation provide the Corporation with a written summary of the material variations between the generally accepted accounting principles used and IFRS (as specified by the Corporation); and provided further, if the Applicant has not been in business for a period sufficient to provide two years of audited financial statements the Corporation may, in its discretion, accept audited financial statements for such shorter period and/or pro forma financial information, in such form and with such details, as it deems appropriate;
 - (e) such evidence as the Corporation may require of the Applicant's Excess Regulatory Capital;
 - (f) summaries of the Applicant's risk management policies and procedures;
 - (g) a letter as to the Applicant's regulatory status;
 - (h) the Charging Documents in the Prescribed Form;
 - (i) the necessary documentation to enable the Corporation to transmit funds electronically to the Applicant following admission as a Participant;
 - (j) a guarantee from an Associate or other person acceptable to the Corporation if the Corporation so requires;
 - (k) details of the Applicant's Settlement Arrangements, including the matters required by Section 1 of Rule 8;
 - (l) executed Settlement Authorities as applicable;
 - (m) direct debiting authorities as required by Section 1 of Rule 27;

- (n) (except where the Applicant is a company incorporated in the United Kingdom) evidence of the appointment of a person acceptable to the Corporation as the Applicant's agent to receive on its behalf service of process if it is admitted as a Participant; and
- (o) evidence to the satisfaction of the Corporation that the foregoing documents have (where applicable) been duly executed by or on behalf of the Applicant and create valid and binding obligations of the Applicant under English and any other relevant system of law.

All such documentation shall be provided in the English language.

- 3.2 The Applicant shall provide such additional information and shall respond to such enquiries as the Corporation may require in connection with its consideration of the application and shall in particular (if so required):
- (a) make its books and records available for inspection;
 - (b) make available its directors or employees as necessary to answer questions and provide explanations to the Corporation about any matter; and
 - (c) arrange for a director or other officer to certify in writing that all information provided to the Corporation is complete and accurate in all material respects.

4. **SECTION 4: FURTHER PROVISIONS CONCERNING APPLICATIONS**

- 4.1 Notwithstanding that an application to become a Participant shall have been approved by the Corporation, if a material change in condition at the Applicant occurs which could bring into question the Applicant's ability to perform the obligations of a Participant, and such material change becomes known to the Corporation prior to the Applicant's commencing use of the Corporation's services, the Corporation shall have the right to postpone commencement by the Applicant of use of the Corporation's services.
- 4.2 The Corporation may refuse an application to become a Participant or to use one or more services of the Corporation upon a determination by the Corporation that the Corporation does not have adequate personnel, space, data processing capacity or other operational capability at such time to perform its services for the Applicant without impairing the ability of the Corporation to provide services for its existing Participants, to assure the prompt, accurate and orderly processing and settlement of securities transactions or to otherwise carry out its functions; provided, however, that any such application which is refused pursuant to this Section 4.2 shall be approved as promptly as the capabilities of the Corporation permit.
- 4.3 An Applicant shall submit to such examinations by the Corporation of its financial responsibility and operational capability as the Corporation is authorised to conduct in respect of a Participant pursuant to Rule 10.
- 4.4 The Corporation may admit an Applicant as a Participant subject to such restrictions or special conditions (including a requirement that the Applicant enter into any other

agreement with the Corporation) as it may consider appropriate to protect the Corporation and the other Participants.

5. **SECTION 5: ADMISSION CRITERIA; PARTICIPANT STANDARDS**

5.1 Subject to Rule 10, a person shall be qualified to become a Participant if it satisfies all of the following criteria:

- (a) it is constituted as a body corporate, partnership or other business organisation or entity in any jurisdiction;
- (b) unless otherwise determined by the Corporation, it is:-
 - (i) a credit institution as defined in Article 4(1)(a) of Directive 2006/48/EC of the European Parliament and of the Council;
 - (ii) an investment firm as defined in Article 4.1.1 of Directive 2004/39/EC of the European Parliament and of the Council other than a person to whom Article 2 applies; or
 - (iii) any undertaking whose head office is outside the European Community and whose functions correspond to those of a credit institution or investment firm as defined in (i) and (ii) above;
- (c) it is regulated in the conduct of its business under the securities and/or banking legislation of an EEA State or of any other country or countries acceptable to the Corporation, and is not prohibited by such legislation or its Regulator from becoming a Participant or from performing the obligations of a Participant under the Rules;
- (d) it is in compliance with all capital requirements imposed by its Regulator and either:
 - (i) it wishes to clear transactions or contracts for Non-Clearing Firms (sometimes referred to in these Rules and in Procedures as a "**General Clearing Participant**" or "**GCP**") and has Excess Regulatory Capital of not less than Euro 70 million; or
 - (ii) in any other case it has Excess Regulatory Capital of not less than Euro 20 million;
- (e) it has adequate personnel, physical facilities, books and records, accounting systems and internal procedures to enable it satisfactorily to handle transactions and communicate with the Corporation, fulfil anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Participants;
- (f) it has (or is the Subsidiary or Associate of a person which has) an established business history of a minimum of 2 years, or personnel with sufficient

operational background and experience to ensure, in the judgment of the Corporation, the ability of the firm to conduct its business;

- (g) it agrees to make, and has sufficient financial ability to make, all anticipated payments required to be made to the Corporation that may be set forth in these Rules;
 - (h) it has satisfied the Corporation as to its identity for the purposes of applicable money laundering regulations, and as to the steps it will take for such purposes to verify the identity of persons for whom it clears transactions; and
 - (i) the Applicant, its Controllers and any other person holding a significant position within the Applicant are fit and proper.
- 5.2 In determining for the purposes of Section 5.1(i) whether any person is fit and proper, the Corporation may take into account information as to whether that person:
- (a) is subject to any order imposed by law or by any regulatory body suspending or disqualifying it from carrying on all or any material part of its business;
 - (b) has been responsible for:
 - (i) making a misstatement of a material fact or omitting to state a material fact to the Corporation, in connection with its application to become a Participant, or
 - (ii) any fraudulent act or wilful breach of any law or regulation of any country or territory relating to the issue, sale, management or other dealings in securities of any kind;
 - (c) has been convicted at any time in any jurisdiction of:
 - (i) any criminal offence involving the purchase, sale or delivery of any security; the taking of a false oath; the making of a fraudulent statement; the making of a false report; bribery; perjury; or conspiracy to commit any offence referred to in this subparagraph (i);
 - (ii) theft, robbery, embezzlement, extortion, fraudulent conversion, fraudulent concealment, forgery or misappropriation of funds, securities or other property;
 - (iii) any criminal offence involving breach of a fiduciary obligation, or arising out of the conduct of the business of a financial institution;
 - (d) has been permanently or temporarily enjoined or prohibited by order, judgment or decree of any court or other governmental authority of competent jurisdiction or by any regulatory body from acting as, or as a person associated with or as an affiliated person or employee of, a financial institution, or from engaging or in continuing any conduct or practice in

connection with any such activity, or in connection with the purchase, sale or delivery of any security, and the enforcement of such injunction or prohibition has not been stayed;

- (e) has been expelled or suspended from or had its participation terminated by any regulatory body or exchange or by a corporation that engages in clearance and settlement activities or a securities depository, or has been barred or suspended from being associated with any member of such an exchange, body, corporation, or securities depository; or
 - (f) has business practices or internal risk management controls, or is subject to any factor or condition, that in either case the Corporation determines may create undue risk for the Corporation or its Participants.
- 5.3 The Corporation may waive any of the requirements of this Section 5 ("**Participant Standards**") if it determines that it is in the interests of the Corporation and the Participants to do so. The Corporation may make such enquiries as it considers appropriate to verify an Applicant's satisfaction of the Participant Standards, but shall not be under an obligation to Participants to do so.
- 5.4 The Participant Standards shall apply to Participants on a continuing basis, and the provisions of Rules 10, 11 and 12 shall apply accordingly.

6. **SECTION 6: GUARANTORS**

If an Applicant proposes (with the consent of the Corporation) to satisfy any financial requirements imposed by the Corporation pursuant to the Rules by means of a guarantee of its obligations by its holding company or an Associate, the Corporation may impose such requirements and conditions on the guarantor as the Corporation may determine.

7. **SECTION 7: REJECTION OF APPLICATION**

Before rejecting an application to become a Participant pursuant to this Rule, the Corporation shall furnish the Applicant with a concise Written Statement setting forth the specific grounds under consideration upon which any such rejection may be based and shall notify the Applicant of its right to request a hearing to determine whether the application should be rejected, such request to be filed by the Applicant with the Corporation pursuant to Rule 22 within five Business Days of the Applicant's receipt of such notice from the Corporation.

8. **SECTION 8: TRANSFER OF RIGHTS**

- 8.1 Except as specifically provided in these Rules, the rights of a Participant under the Rules or a Clearing Contract are not assignable or otherwise transferable without the prior written consent of the Corporation.
- 8.2 If a person does not qualify under Section 5 but is the successor or assign of any Participant (its "**Predecessor**") and has demonstrated to the Corporation that its business and capabilities are such that it can use the Corporation's services without

undue risk, it may in the Corporation's sole discretion be admitted as a Participant solely for the purpose of winding up the business of its Predecessor in an orderly manner.

RULE 3 – EFFECT OF THE RULES**1. SECTION 1 – RULES BINDING AS A MASTER AGREEMENT**

- 1.1 Each Participant acknowledges and agrees that these Rules shall bind the Participant to the same extent as if it had executed a master agreement between the Corporation and the Participant applicable to all its transactions processed under these Rules. Each such transaction is accepted by the Corporation in reliance upon the fact that all transactions hereunder constitute a single business and contractual relationship and that each transaction is made in consideration of each other transaction.
- 1.2 Each Participant agrees to perform all of its obligations in respect of each transaction hereunder and (except insofar as otherwise expressly stated under these Rules in relation to a Client Account) agrees and accepts (i) that a default in the performance of any such obligation shall constitute a default by it in respect of all transactions hereunder, (ii) that the Corporation shall be entitled to set off claims and apply property held by it in respect of any transaction against obligations owing to it in respect of any other transaction hereunder and (iii) that payments, deliveries and other transfers made by either of them in respect of any transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any such other transactions hereunder, and the obligations to make any such payments, deliveries and other transfers may be applied against each other and Netted.

2. SECTION 2: INTERPRETATION OF THE RULES

The Board of Directors or any Committee thereof or their designee(s) shall have the authority to interpret these Rules. Interpretations of the Board of Directors or any Committee thereof or their designee(s) shall be final and conclusive.

3. SECTION 3: NO THIRD PARTY RIGHTS

It is not the intention of the Corporation and the Participants to confer any benefit on, or give any right to enforce any provisions of these Rules to, any person who is not either the Corporation or a Participant. Rights of third parties to enforce any provision of any of these Rules pursuant to the Contracts (Rights of Third Parties) Act 1999, are expressly excluded.

4. SECTION 4: ACTION BY THE CORPORATION

Except where otherwise specifically required by the Rules, the Corporation may act by the Chairman of the Board of Directors, Chief Executive Officer, Chief Operating Officer, Managing Director or Secretary of the Corporation or by such other person or persons (including a committee of the Board) as may be designated by the Board of Directors from time to time.

5. **SECTION 5: FORMER PARTICIPANTS**

A person for whom the Corporation has ceased to act or who has voluntarily retired from Participation shall continue to be bound by these Rules to the extent expressly provided herein.

6. **SECTION 6: GOVERNING LAW**

These Rules and any and all Procedures adopted hereto shall be governed by and construed in accordance with English law.

RULE 4 - MARGIN, GUARANTEE FUND AND LOSS ALLOCATION

1. SECTION 1: GENERAL

1.1 Each Participant shall make, and maintain on a daily basis for so long as it is a Participant, payments to the Corporation (the "**Margin Amount**") equal to the sum of:

- (a) the Daily Margin Amount;
- (b) the Intra-Day Margin Amount(s); and
- (c) any other deposit (excluding a Contribution) required by the Corporation pursuant to these Rules.

2. SECTION 2: ACCOUNTS

2.1 The Corporation will offer each Participant the opportunity to establish multiple accounts and to designate one or more accounts to be client accounts for use to record transactions which the Participant is required by law or these Rules, or has agreed, to segregate from transactions effected for its own benefit ("**Client Accounts**"). Client Accounts will be subject to certain restrictions on the use of Margin Amounts set out elsewhere in this Rule. Upon request of a Participant, the Corporation may also establish one or more sub-accounts within an account.

2.2 Where a Participant has one or more Client Accounts and/or one or more other accounts with the Corporation ("**House Accounts**"), the process set out in this Rule 4 for calculating and maintaining the Participant's Margin Amount shall (unless the Corporation otherwise agrees) be applied separately in respect of:

- (a) the Participant's Client Accounts on an aggregated basis; and
- (b) the Participant's House Accounts on an aggregated basis.
- (c) The Corporation may, if it is able to do so and is so requested by the Participant, provide separate margin calculations with respect to any individual account, but such calculations will be provided for informational purposes only.

2.3 In any event, the Corporation shall notwithstanding any other provision of these Rules treat a Participant's Client Accounts separately from its other accounts for the purposes of:

- (a) calculating and maintaining Margin Amounts;
- (b) the exercise of rights of set-off by the Corporation; and
- (c) the allocation of Losses; and

payments made by a Participant by way of Margin Amounts in respect of a Client Account may not be applied to meet such Participant's share of an Excess Loss.

[2.3A A UK Participant must:

- (a) record all its UK Client Transactions in a Client Account or Accounts; and
 - (b) not record any other transaction in a Client Account²]
- 2.4 It is the sole responsibility of each Participant to adopt an account structure (including, where appropriate, the use of a Client Account or Accounts) which meets its legal and regulatory obligations and its obligations under these Rules.
- 2.5 The establishment of a Client Account is without prejudice to Section 1.3 of Rule 2 (Participants to deal as principal) and except as specifically provided in the Rules the Corporation shall not be required to recognise the interest of any Non-Participant in a Client Account.
- 3. SECTION 3: CALCULATION OF MARGIN AMOUNT**
- 3.1 The minimum Margin Amount for each Participant shall be the amount specified by the Corporation from time to time.
- 3.2 The initial Margin Amount of each Participant shall be determined by the Corporation as it deems appropriate, having regard to the risks to which the Corporation may be exposed as a result of the scale and nature of the transactions expected to be effected by the Participant, and such other factors as the Corporation may think fit.
- 3.3 The initial Margin Amount of an Applicant shall be paid by the Applicant to the Corporation before the Close of Business on the second Business Day prior to the Business Day on which it is due to become a Participant.
- 3.4 A Participant's Daily Margin Amount and Intra-Day Margin Amount(s) shall be calculated by the Corporation in accordance with such methodology as the Corporation shall set out in the Procedures. The Corporation may adopt different methodologies in respect of transactions effected under the rules of different Approved Facilities.
- 3.5 The Corporation shall notify each Participant, at the times determined by the Corporation, of the amounts required to be paid to the Corporation by way of Daily Margin Amount and/or Intra-Day Margin Amount.
- 3.6 Payments in respect of a Participant's Margin Amounts shall be made in immediately available funds within the time limits laid down by the Corporation from time to time.
- 3.7 If the Corporation requires a Participant to provide an additional Margin Amount pursuant to Rule 10 or Rule 16 (if applicable), such additional amount shall be in such form and provided at such time as specified by the Corporation.
- 4. SECTION 4: CURRENCY OF MARGIN AMOUNT**

² Section 2.3A of Rule 4 will take effect on 27 July 2009 for all transactions with a trade date of 27 July and thereafter. However, if a Participant becomes a Defaulter for the purposes of Rule 12 on or after 15 June 2009, the Corporation reserves the right to apply the provisions of Section 4 of Rule 12 as if all transactions with a trade date of 15 June 2009 and thereafter had been subject to, and allocated to accounts in accordance with Section 2.3A of Rule 4.

- 4.1 Amounts payable to the Corporation by a Participant in respect of its Margin Amount will be paid in such Acceptable Currency as may be designated by the Corporation.
- 4.2 The Corporation may permit amounts required to be provided in one Acceptable Currency to be satisfied by amounts provided in another Acceptable Currency on the conditions laid down by the Corporation from time to time.
- 4.3 If a deposit is made and maintained in a currency other than that required by the Corporation (an "**Alternative Currency**"), the Participant shall immediately on request by the Corporation from time to time pay to the Corporation such amount in the Alternative Currency as the Corporation determines to be necessary to ensure that the relevant Acceptable Currency Equivalent of the deposit does not at any time fall below the amount of the deposit if it had been made and maintained in the currency required by the Corporation.
- 4.4 Calculations made by the Corporation for the purposes of this Rule 4 may be made in a base currency selected by the Corporation using appropriate currency conversion rates determined by the Corporation from time to time.

5. **SECTION 5: FORM OF MARGIN**

- 5.1 Subject to the provisions of Section 3 of this Rule governing the computation of the Margin Amounts and the limitations of this Section, a Participant's Margin Amount may be made in whichever of the following forms the Corporation may approve:

- (a) cash deposits, which shall have effect as deposits made with the Corporation which the Corporation may use and apply in its discretion as set out in these Rules; and/or
- (b) an undertaking by the Participant to pay the relevant monetary amount to the Corporation on demand at any time, such obligation being fully secured by Eligible Government Securities in accordance with Section 15 and/or by Eligible Letters of Credit in accordance with Section 14,

provided that (i) the proportion of a Participant's Margin Amount maintained by way of cash deposits may not at any time fall below 40% and (ii) the proportion of a Participant's Margin Amount maintained by way of cash deposits secured by Eligible Letters of Credit may not at any time exceed 25% (or in each case such other percentage as the Corporation may from time to time specify). Notwithstanding any other provision of these Rules, all Margin Amounts shall be repayable to the Participants only in the amount(s) and at the time(s) applicable under these Rules.

- 5.2 The Corporation may, if it so determines, pay to a Participant monthly in arrears interest on the amount of the cash deposits for the time being provided by it to the Corporation under Section 5.1(a) during the month then ended at such rate as the Corporation may from time to time specify. Such amount may either be added to the Participant's Margin Amount (and, where the Participant maintains multiple accounts with the Corporation, shall be allocated to the account in respect of which the relevant cash deposit was made), or credited to the Participant on its monthly statement, unless the Participant has defaulted in the payment of any of its

obligations to the Corporation, in which case the Corporation may apply all or part of that amount as provided for in Section 10 of this Rule.

6. **SECTION 6: GUARANTEE FUND**

6.1 Each Participant shall also make, and maintain on a daily basis for so long as it is a Participant, contributions to the Guarantee Fund of amounts specified by the Corporation as provided in this Rule.

6.2 The amount of the Contribution to be paid by each Participant to the Guarantee Fund shall be calculated by the Corporation in accordance with such methodology as the Corporation shall set out in the Procedures. The initial amount of the Contribution to be paid by an Applicant to the Guarantee Fund shall be determined by the Corporation as it deems appropriate, and shall be paid by the Applicant to the Corporation at the same time as the Applicant's Margin Amount under Section 3.3.

6.3 Subject to the other provisions of this Rule and the limitations of this Section, a Participant's Contribution may be made in whichever of the following forms the Corporation may approve:

(a) cash deposits in Sterling, Dollars or Euros, which shall have effect as deposits made with the Corporation which the Corporation may use and apply in its discretion as set out in these Rules; and/or

(b) an undertaking by the Participant to pay the relevant monetary amount to the Corporation on demand at any time, such obligation being fully secured by Eligible Government Securities in accordance with Section 15 and/or Eligible Letters of Credit in accordance with Section 14,

(c) provided that (i) the proportion of a Participant's Contribution maintained by way of cash deposits may not at any time fall below 40% and (ii) the proportion of a Participant's Contribution maintained by way of cash deposits secured by Eligible Letters of Credit may not at any time exceed 25% (or in each case such other percentage as the Corporation may from time to time specify). Notwithstanding any other provisions of these Rules, such deposits shall be repayable by the Corporation only in the amount(s) and at the time(s) stated in Section 6.6.

6.4 The Corporation shall pay interest on the cash deposits comprised in each Participant's Contribution at such rate and on such basis as the Corporation may from time to time specify. Such amount may either be added to the Participant's Contribution or credited to the Participant on its monthly statement, unless the Participant has defaulted in the payment of any of its obligations to the Corporation, in which case the Corporation may apply all or part of that amount as provided for in Section 10 of this Rule.

6.5 A Participant's Contribution (or, as appropriate, the applicable part of it) shall be repayable by the Corporation to the Participant:

(a) as provided in Sections 12 and 13; or

- (b) on such earlier date or dates as the Corporation may determine (whether to enable the Corporation to set off its obligation to make such repayments against liabilities of the Participant to the Corporation or otherwise).
- 6.6 No part of the Guarantee Fund shall be treated as standing to the credit of any Client Account.
- 7. **SECTION 7: FAILURE OR DELAY IN PAYMENT**
- 7.1 If a Participant fails to pay to the Corporation when due all or any part of a Margin Amount or Contribution in accordance with this Rule (an "**Unpaid Balance**"), the Corporation may, in its sole discretion and without prejudice to its other rights and remedies against the Participant, (i) demand the immediate payment by the Participant of the Unpaid Balance, and/or (ii) apply all or a portion of any money owing by the Corporation to such Participant towards satisfaction of the Unpaid Balance.
- 8. **SECTION 8: CHARGING DOCUMENTS, PARTICIPANT REPRESENTATIONS AND NEGATIVE PLEDGE**
- 8.1 In order to secure all obligations and liabilities (present or future, actual or contingent) of a Participant to the Corporation, each Participant shall deliver to the Corporation (or as it may otherwise direct) one or more duly executed Charging Documents in such terms as the Corporation may require. A Charging Document will include a perfected, first-ranking, fixed security interest (or the equivalent under the law of any jurisdiction outside England and Wales) over all Collateral or Contributions provided by it to the Corporation or its agents or custodians pursuant to these Rules (including any Eligible Government Securities to be provided as security in accordance with Section 15).
- 8.2 Each Participant represents and warrants to the Corporation as at each date on which such Participant provides Collateral or Contribution to the Corporation under these Rules that:
 - (a) such Participant is the sole legal and beneficial owner of the Collateral or Contribution or, as the case may be, that the Collateral is provided with the legal and beneficial owner's informed and unconditional consent;
 - (b) all such Collateral or Contribution is provided to the Corporation free and clear of any liens, claims, charges or encumbrances or any interest of the transferring party or of any third party;
 - (c) the provision of such Collateral or Contribution to the Corporation under these Rules will not constitute or result in a breach of any trust, agreement or undertaking binding on the Participant or affecting any such Collateral or Contribution; and
 - (d) no Termination Event has occurred and is continuing on such date in relation to such Participant.

- 8.3 The Corporation shall be entitled to assume that all Collateral or Contribution provided by a Participant to the Corporation under this Rule or under the terms of any agreement made with the Participant is in conformity with Section 8.2.
- 8.4 A Participant shall not, without the prior written consent of the Corporation:
- (a) create, or agree or attempt to create, or permit to subsist, any mortgage, fixed or floating charge, pledge, lien or other security interest securing any obligation of any person other than the Corporation (or any other agreement or arrangement having a similar effect) or any trust over any Collateral or Contribution provided to the Corporation under this Rule 4, or purport to do so;
 - (b) sell, assign or grant any interest in, any such Collateral or Contribution, or purport to do so, or part with ownership of any of it; or
 - (c) take any step which would otherwise constitute or result in a breach of the representation and warranty contained in Section 8.2.
- 8.5 All cash deposits provided by a Participant under Section 4.1 or 6.1 (including all securities and other investments in which such cash deposits may from time to time be invested as permitted by Section 9.4) shall be incapable of assignment or charge by any person (except the Corporation to the extent authorised by these Rules). Any purported assignment or charge by a Participant (whether by way of security or otherwise) of any such cash deposits, securities or other investments shall be of no effect.

9. SECTION 9: MANAGEMENT AND USE OF MARGIN AMOUNTS AND THE GUARANTEE FUND

- 9.1 The Corporation shall not be obliged to segregate the cash Collateral and cash Contributions of individual Participants, or to segregate Collateral from Contributions, and may commingle all such cash amounts for ease of administration. Cash Collateral and/or the Guarantee Fund may be partially or wholly invested by the Corporation in securities issued or guaranteed as to principal and interest by an Eligible Government or agency or instrumentality of an Eligible Government, or in repurchase agreements relating to such securities, or in such other investments authorised for the purpose under the investment policy adopted from time to time by the Corporation. To the extent not so invested, such cash funds shall be deposited by the Corporation in its name with a bank or depository institution selected by the Corporation.
- 9.2 The Corporation may use and/or dispose of all or any part of the Collateral and/or the Guarantee Fund contributed by a Participant for the following, and only the following, purposes:
- (a) to satisfy in whole or in part any Default Loss for which the Participant is liable in accordance with the provisions of Rule 12 or Section 10 of this Rule; and

- (b) by way of use (including borrowing) to satisfy a Funding Requirement (as defined below) in accordance with and subject to the limitations in Sections 9.3 and 9.4;

provided that:

- (i) any Collateral designated by a Participant as cover for a Client Account may not be used and/or disposed of under Sections 9.3 or 9.4 except in relation to a Default Loss or Funding Requirement attributable to that Client Account or to another Client Account of the same Participant; and
- (ii) the Guarantee Fund may not be applied to satisfy a Default Loss other than a Relevant Default Loss.

9.3 The Corporation may use and/or dispose of ("**apply**") all or any part of the Collateral and/or the Guarantee Fund in order to satisfy, in whole or in part, any Funding Requirement. Any such property shall (unless the Funding Requirement concerned gives rise to a Loss which falls to be allocated in accordance with Section 10 of this Rule) be repaid, re-credited or returned as soon as practicable and in any event not later than the Close of Business on the ninetieth day (or, if that day is not a Business Day, on the next Business Day) after the date on which it was applied.

(a) For the purposes of this Rule:

- (i) a "**Funding Requirement**" is a liability, obligation or liquidity requirement of the Corporation incurred in relation to the operation of the System (including the settlement of transactions but excluding the corporate overhead of the Corporation);
- (ii) amounts applied to finance settlement obligations on a revolving basis shall be deemed to be returned and re-applied on a daily basis; and
- (iii) reference to the return of property includes, in the case of securities, the delivery of equivalent securities.

9.4 For the purpose of securing loans made to the Corporation or other obligations incurred by the Corporation in relation to any Funding Requirement:

- (a) The Corporation may assign, charge or create a security interest in any and all securities, repurchase agreements, deposits or other instruments in which cash deposits comprised in the Collateral and/or the Guarantee Fund are invested, subject always to the proviso to that Section; and
- (b) Each Charging Document will include a power for the Corporation to assign, charge or create a security interest in, and otherwise to use and/or dispose any and all property provided by a Participant and charged to the Corporation under such Charging Document, as if the Corporation were the owner of it, for the purposes set out in Section 9.3.

- 9.5 The loans or obligations referred to in Section 9.4 shall be on terms and conditions deemed necessary or advisable by the Corporation in its sole discretion and may be of greater amount and/or duration than the relevant cash deposits provided or charged by the Participant to the Corporation.
- 9.6 No Participant shall have any right, claim or action against any secured lender (or its collateral agent) for so long as any loans made by such lender to the Corporation, or other obligations secured by such collateral, are unpaid and outstanding. Subject to the foregoing and to the terms and conditions of such loan, the Corporation shall remain obliged to each Participant to return or replace the Collateral originally provided by such Participant by transferring equivalent Collateral to the Participant in the circumstances and at the times applicable under these Rules and/or the relevant Charging Documents.
10. **SECTION 10: ALLOCATION OF LOSS**
- 10.1 This Section 10 sets out the procedures for the allocation and satisfaction of Default Losses.
- 10.2 Any Default Loss shall be recovered to the extent possible from the Defaulting Participant in accordance with the Rules.
- 10.3 [Section not used]
- 10.4 If the Corporation incurs a Relevant Default Loss which is not wholly satisfied in accordance with Section 10.2, the Corporation shall decide in its sole discretion whether or not it is appropriate to apply all or any part of its retained earnings or undistributed income in or towards the discharge of the Relevant Default Loss.
- 10.5 If the retained earnings and/or undistributed income of the Corporation are not so applied or, to the extent that they are applied, are not sufficient to discharge the Relevant Default Loss, the Participants other than the Defaulting Participant shall indemnify the Corporation for the excess amount of the Relevant Default Loss (the "**Excess Loss**") upon the Corporation issuing one Business Day's prior written notice to each Participant (a "**Loss Allocation Notice**") stating the amount of the Excess Loss and the amount of the Excess Loss allocated to each such Participant.
- 10.6 Each Participant shall indemnify the Corporation for the amount of the Excess Loss allocated to it in the Loss Allocation Notice. The amount due by such a Participant in respect of an Excess Loss shall be an amount equal to such Participant's pro rata share of such Excess Loss, calculated by reference to the following formula:

$$A \times \frac{B}{C}$$

- Where:
- A is the amount of the Excess Loss;
 - B is the Participant's average Daily Margin Amount over the twenty Business Day period including and ending on the date on which the Corporation ceased to act for the Defaulting Participant (in either case the "**Relevant Margin Amount**"); and
 - C is the sum of the Relevant Margin Amounts of all the Participants.
- 10.7 If a Participant (a "**Retiring Participant**") gives notice of its intention to terminate its participation (its "**Termination Notice**"), its liability for any Excess Loss (the "**Relevant Loss**") may be excluded or limited as follows:
- (a) if the Retiring Participant gives its Termination Notice fifteen days or more before the Default Notice is issued in respect of the Defaulting Participant concerned it shall have no liability for the Relevant Loss.
 - (b) if (a) does not apply, but the Retiring Participant gives its Termination Notice not later than Close of Business on the Business Day following the issue of the first Loss Allocation Notice in respect of the Relevant Loss, the Participant's liability in respect of the Relevant Loss shall not exceed an amount equal to two times the sum of:
 - (i) its Margin Amount; and
 - (ii) the required Contribution of the Participant,
 each as fixed and determined immediately prior to the time of the allocation of such Excess Loss (the "Maximum Liability Amount").
 - (c) if (a) and (b) do not apply, but the Retiring Participant gives its Termination Notice not later than Close of Business on the Business Day following the issue of any subsequent Loss Allocation Notice in respect of the Relevant Loss (the "**Relevant Notice**"), the Retiring Participant's aggregate liability in respect of the Relevant Notice and of any subsequent Loss Allocation Notices in respect of the Relevant Loss shall not exceed the Maximum Liability Amount (but without prejudice to the liability of the Retiring Participant in respect of Loss Allocation Notices prior to the Relevant Notice).
- 10.8 References in Sections 10.6 and 10.7 to the Margin Amount of a Participant are, if the Participant maintains more than one account, to the aggregate of the Margin Amounts in respect of all the accounts of the Participant, including Client Accounts.
- 10.9 If, as a result of any exclusion or limitation of the liability of a Retiring Participant under Section 10.7, any shortfall remains, it shall be reallocated against all remaining Participants in accordance with Sections 10.5 and 10.6.
- 10.10 Each amount due from a Participant under the foregoing provisions of this Section shall become immediately payable automatically (without any obligation on the part

of the Corporation to make demand on the Participant) at the time stated in the relevant Loss Allocation Notice. Without prejudice to its other rights and remedies under the Rules, the Corporation may forthwith, without notice, take all or any of the following steps:

- (a) set off and apply all amounts paid by the Participant to the Guarantee Fund;
- (b) set off all or any cash Collateral held by the Corporation from the Participant (or any money owing by the Corporation to such Participant pursuant to these Rules); and
- (c) convert any money standing to the debit or credit of the Participant's accounts into such other currency or currencies as the Corporation deems appropriate (pursuant to Rule 27); and/or
- (d) realise and apply all or any other Collateral held by the Corporation from the Participant in or towards the amount due from such Participant under this Section 10;

provided that none of the above steps referred to in (b), (c) or (d) may be taken in relation to money or Collateral held in or in respect of Client Accounts. The Corporation may, for this purpose, apply any cash and/or liquidate any securities or other property deposited by each relevant Participant, including, if applicable, making demand under any bank guarantee or drawing against any letter of credit to such extent at such time or times and in such order as it may determine.

- 10.11 If all or any part of a Participant's Collateral and/or its Contribution is applied in discharging any amount due from it under the preceding provisions of this Section and this results in a deficiency in its Margin Amount and/or its Contribution, as the case may be (a "**Funding Deficiency**"), the Participant shall, by the deadline stated by the Corporation, provide to the Corporation such further Collateral and/or Contribution as required to make good the Funding Deficiency. The Participant shall be obliged to make good any Funding Deficiency, notwithstanding that it may cease to be a Participant, whether pursuant to Section 10.7, otherwise. The amount paid by a Participant in respect of its Funding Deficiency shall be apportioned by the Corporation between Collateral and/or Contribution in such proportions as it thinks fit.
- 10.12 If the Participant shall fail to perform its obligations under this Section 10, the Corporation may take disciplinary action against the Participant pursuant to Rule 21. Any disciplinary action which the Corporation takes pursuant to Rule 21, or the voluntary or involuntary cessation of participation by the Participant, shall not affect the obligations of the Participant to the Corporation or any remedy to which the Corporation may be entitled under these Rules and applicable law.
- 10.13 The obligation of each Participant to indemnify the Corporation for the amount of any Excess Loss allocated to it under this Section 10 shall be an absolute obligation and not conditional on the Corporation or any other Participant having complied with these Rules.

- 10.14 If the amount of an Excess Loss indemnified by Participants under this Section 10 is afterward recovered by the Corporation in whole or in part, the Corporation shall notify the Participants by whom the Excess Loss was borne (at their last known address, if they have since ceased to be Participants) of the net amount of the recovery (after deduction of any amount of the Relevant Default Loss borne by the Corporation out of its retained earnings) and the amount refundable to them (a "**Refund**") out of the net amount so recovered (which shall be shared between them in the same proportions in which the Excess Loss was borne by them).
- 10.15 Any unclaimed Refund may be invested or otherwise used by the Corporation until claimed. No Refund shall bear interest as against the Corporation.
- 10.16 Any Refund which has remained unclaimed for a period of 12 months from the date of notification under Section 10.14 shall, if the Corporation so determines, be applied:
- (a) first, in making a further Refund under Section 10.14 to those Participants which have claimed their Refunds until they have received the full amount indemnified by them in respect of the Default Loss to which the Refund relates; and
 - (b) secondly, the balance shall cease to be refundable by the Corporation and shall thenceforth belong to the Corporation absolutely and be available for use by the Corporation in its clearance and settlement activities.

11. SECTION 11: PAYMENT OR DELIVERY OF COLLATERAL AND CONTRIBUTION

The obligations of a Participant to provide Collateral or Contribution under this Rule shall not be affected by the Corporation ceasing to act for the Participant before the time when the Collateral or Contribution is due to be provided or paid in accordance with these Rules. The obligation of a Participant to provide its Collateral and/or pay its Contribution shall not be affected by such Participant's giving notice to terminate its participation until all liabilities of the Participant to the Corporation are satisfied.

12. SECTION 12: RETURN OR REPLACEMENT OF MARGIN AMOUNTS OR CONTRIBUTIONS TO THE GUARANTEE FUND

- 12.1 A Participant may, at the times and on the terms determined by the Corporation, request (a) the return or replacement of such proportion of its Collateral as exceeds its Margin Amount; and/or (b) the return or replacement of such part of its actual Contribution as exceeds its required Contribution. Notwithstanding any other provision of these Rules (including any rights which the Corporation may have under Rule 10), the Corporation may decline to permit such return or replacement unless satisfied that:
- (a) the Participant's internal risk rating is such that it supports the return of excess funds;
 - (b) after the return or replacement is made the Participant will have provided (1) sufficient Collateral in a form complying with Section 5 in order to continue to maintain its Margin Amount on all the Participant's accounts (including its

Client Accounts) and (2) sufficient Contributions in a form complying with Section 6 in order to continue to satisfy its obligations under that Section;

- (c) the Participant has no outstanding payment obligations to the Corporation;
 - (d) the Corporation considers that the Participant's expected settlement positions over the next three Business Days are not likely to be materially different from those during the prior three Business Days; and
 - (e) if the Corporation has ceased to act for another Participant and has not finally completed the liquidation of that Participant's unsettled Delivery Obligations and unsettled Payment Obligations, the amounts contributed to the Guarantee Fund by the Participant requesting the return or replacement will, taking account of any amount to be returned, be sufficient, under all circumstances, fully to secure the requesting Participant's matured or potential obligations and liabilities pursuant to Section 10 of this Rule arising in consequence of such cessation.
- 12.2 The Corporation may, in its absolute discretion and at any time, require a Participant to provide cash, securities or other property to the Corporation in substitution for any securities or property provided to the Corporation as Collateral or by way of Contribution under these Rules.
- 12.3 The Corporation may, at its absolute discretion and subject to any special arrangements that it deems appropriate in each case, accept Collateral and/or a Contribution to an agreed amount in a form, or secured in a manner, other than that specified in Section 5 or Section 6 (as the case may be) (including bank guarantees in form, and issued by institutions, acceptable to the Corporation). The Corporation may at its discretion make an accommodation charge to the Participant for the costs and expenses incurred by the Corporation as a result of accepting such Collateral or Contribution (including the costs of obtaining any relevant legal opinion that the Corporation may require).
- 12.4 If, in the opinion of the Corporation, any Collateral or Contribution which has been provided to it by a Participant under this Rule 4 is no longer of sufficient value or otherwise acceptable to the Corporation, the Corporation shall be entitled to demand the delivery of further Collateral or an additional Contribution (as the case may be) from such Participant. Such Collateral shall be provided by such Participant on demand in a form, or secured in such manner, as may be prescribed by the Corporation.
- 12.5 The Corporation may at any time demand that a Participant replace the whole or part of any non-cash Collateral or Contribution provided by such Participant under this Rule with cash Collateral or a cash Contribution as the case may be.
13. **SECTION 13: VOLUNTARY CESSATION OF PARTICIPATION**
- 13.1 If a Participant gives notice to the Corporation electing to terminate its participation for whatever reason, (i) the Participant's Collateral and (ii) the Participant's Contribution shall be repaid (or in the case of securities) be returned or replaced by

the transfer to it of equivalent securities) as soon as practicable (and within four months) after the date of such termination, provided that in each case all amounts owing to the Corporation by the Participant have been fully, finally and unconditionally paid or discharged to the Corporation prior to such repayment, return or replacement and the Participant has no remaining open settlement positions. Any obligation of a Participant to the Corporation pursuant to this Rule which is unpaid or un-discharged at the time it ceases to be a Participant shall continue in force notwithstanding such cessation.

- 13.2 Without prejudice to its rights under Section 13.1, the Corporation may, if it deems appropriate (but without any obligation to do so), return or replace a proportion of the Participant's Collateral and/or Contribution at an earlier time or times, subject to retaining sufficient amounts to secure any remaining obligations of the Participant (including any contingent or prospective obligations) and any obligation which may arise out of any disciplinary action.

14. SECTION 14 - ELIGIBLE LETTERS OF CREDIT

- 14.1 For the purposes of this Rule a letter of credit is an "**Eligible Letter of Credit**" if it:
- (a) is issued or to be issued by an Approved Letter of Credit Issuer;
 - (b) contains the unqualified legally binding commitment of such issuer to pay a specified sum of money upon demand (properly drawn under the letter of credit) at any time prior to the expiration of the letter of credit;
 - (c) is irrevocable, and may neither be revoked nor amended to reduce its amount except upon the issuer's written notice to the Corporation of its intent to revoke or amend, which must be given not less than five full Business Days prior to the date fixed for such revocation or amendment, and the Corporation's consent to the revocation or amendment, which shall be given promptly upon the Corporation's determination that the Participant will have sufficient remaining value by way of Margin Amount and/or Contribution (as the case may require) at the time of such revocation or amendment to satisfy its expected obligations under this Rule 4;
 - (d) states that (i) it will be duly honoured upon presentment of it to the issuing bank, and (ii) partial drawings are permitted; and
 - (e) is in a form, and contains such other terms and conditions, as may be required by the Corporation.
- 14.2 For the purposes of the Rules an "**Approved Letter of Credit Issuer**" is a bank or financial institution that the Corporation has determined meets the requirements for being approved by the Corporation to issue Eligible Letters of Credit. An institution shall not be approved by the Corporation as an Approved Letter of Credit Issuer unless:
- (a) it has and maintains at least \$7 billion in total assets and a long-term obligations rating of at least A- (by Standard & Poor's Corporation) or A3 (by

Moody's Investors Service, Inc.) and does not have a short-term obligations rating of lower than A-2 or P-2 (from those rating agencies respectively);

- (b) it has a sufficient credit standing such that its letters of credit are capable of being readily assigned or charged by the Corporation pursuant to a credit arrangement with a bank or financial institution as collateral to obtain credit in an amount determined by the Corporation from time to time;
 - (c) it confirms, and agrees to continue to confirm on a periodic basis, to the Corporation that it is maintaining continued compliance with the applicable capital standards established for it by each of its regulatory authorities; and
 - (d) if it is a foreign bank acting through a branch or agency in the United Kingdom, it has provided the Corporation with a guarantee of performance of such branch or agency or an opinion of counsel deemed sufficient by the Corporation in its sole discretion.
- 14.3 Where an Eligible Letter of Credit is to be provided to secure a Participant's undertaking to contribute to either its Margin Amounts and/or to the Guarantee Fund pursuant to this Rule, such letter of credit must be delivered either to the Corporation or to a depository institution designated by the Corporation to hold such letter of credit on the Corporation's behalf.
- 14.4 The Corporation shall have the right at any time to refuse to approve, or to revoke its approval of, any institution as an Approved Letter of Credit Issuer if, in the judgment of the Corporation, such action is necessary or appropriate, having regard to the proper performance of the Corporation's Regulatory Functions.
- 14.5 The Corporation shall not accept a letter of credit from a Participant that is issued by such Participant or by an Associate of such Participant, even if such Participant or Associate is an Approved Letter of Credit Issuer.
- 14.6 The Corporation shall not accept a letter of credit issued by any institution (an "**LC Issuer**") if, as a result of such acceptance, more than 20% of the aggregate Margin Amount contributed by all Participants or more than 20% of the Guarantee Fund would then be secured by letters of credit issued by the same LC Issuer or by LC Issuers which are in the same Group (or in either case such other percentage as the Corporation may from time to time specify as appropriate to prevent an undue concentration on or exposure to any one LC Issuer).
- 14.7 The Corporation may, in its discretion, refuse to accept a letter of credit that it determines is not capable of being readily assigned or charged by it in order to obtain credit in such amount as the Corporation may determine from time to time.
- 14.8 Letters of credit shall be valued at 95% (or such greater percentage as the Corporation may from time to time specify) of their stated face value for the purposes of these Rules.
- 14.9 Letters of credit to be deposited with the Corporation for the purposes of this Rule shall be on terms such that they expire at noon, London time, on either the 1 April or

- 1 October next following the date of issue (whichever is the first to occur), except that any letter of credit deposited during the months of March or September must expire before the following 1 October or 1 April, respectively.
- 14.10 A Participant must obtain and deposit with the Corporation, not less than 10 Business Days prior to the expiration of any letter of credit securing a Participant's undertaking to contribute its Margin Amounts or to the Guarantee Fund, (i) an amendment of such letter of credit extending its expiration date by not less than six months but to no more than 364 days from the date of original issue, or (ii) a new Eligible Letter of Credit or (iii) a cash deposit and/or other security permitted by the terms of this Rule, sufficient in each case to maintain the Participant's Margin Amount and/or Contribution (as the case may be).
- 14.11 Any amount drawn under an Eligible Letter of Credit by the Corporation shall be added to the Participant's Cash Collateral or cash deposit with the Guarantee Fund (as applicable) and the Participant's undertaking to contribute shall be reduced by a corresponding amount. If any Eligible Letter of Credit secures sums due in respect of the Participant's Margin Amount and its obligation to contribute to the Guarantee Fund, the Corporation may allocate any amount drawn under the Eligible Letter of Credit as between Margin Amount and Contribution as the Corporation sees fit.
- 15. ELIGIBLE GOVERNMENT SECURITIES**
- 15.1 Eligible Government Securities used to secure the undertaking by a Participant referred to in Section 5 or 6 shall be charged to the Corporation by way of a perfected, first-ranking, fixed security interest on such terms and conditions as the Corporation may require.
- 15.2 Eligible Government Securities charged to the Corporation in accordance with Section 15.2 shall be delivered either to the Corporation or to a depository institution approved by the Corporation which will hold the Eligible Government Securities to the order of the Corporation. If such Eligible Government Securities consist of securities, the title to which is evidenced by entries in a register or account maintained by or on behalf of an intermediary, the Participant shall cause those securities to be credited to a securities account in the name of the Corporation (or its custodian or nominee) at such intermediary and on such terms as the Corporation may require (consistent with the procedures applicable to securities accounts held with the relevant intermediary).
- 15.3 Eligible Government Securities shall be valued, for collateral valuation purposes on such basis, and subject to such adjustments (or haircuts), as may be determined by the Corporation from time to time.
- 15.4 A Participant may, periodically on the terms specified by the Corporation from time to time, request the Corporation to permit that Participant to substitute Eligible Government Securities from charge under Section 15.1, subject to ensuring that, prior to the withdrawal, the Participant has provided sufficient Collateral under Section 5 or Contribution under Section 6 (as the case may be) in order to continue to maintain its Margin Amount and required Contribution after the substitution. Notwithstanding any other provision of these Rules, no substitution may be made

without the prior consent of the Corporation in each specific case, which consent may be given conditionally or unconditionally or refused as the Corporation thinks fit.

- 15.5 Any dividend, interest or other income earned or paid on Eligible Government Securities provided by a Participant under Section 5 or Section 6 which is received by the Corporation shall be added to the Participant's Margin Amount or Contribution as the case may be (and, in the case of Collateral where the Participant maintains multiple accounts with the Corporation, shall be allocated to the account in respect of which the relevant securities were deposited) unless the Participant has defaulted in payment of any of its obligations to the Corporation, in which case the Corporation may first liquidate such securities and apply all or part of them, including any interest earned on them, as provided for in Section 10 of this Rule.

RULE 5 – AGENTS AND REPRESENTATIVES: METHODS OF COMMUNICATION

1. SECTION 1: AUTHORITY OF REPRESENTATIVES

- 1.1 Every Participant shall designate a representative or representatives of the Participant, authorised in the name of the Participant to sign all instruments, to give instructions, to correct errors and to perform such other duties as may be required under these Rules and to transact all business requisite in connection with the operations of the Corporation. A Participant may, with the consent of the Corporation, designate different representatives for different purposes. The Participant shall ensure that each individual whom it designates as its representative shall be capable of taking such action in a manner consistent with the daily time schedules and other requirements established by or pursuant to these Rules. Except (in the case of a partnership) where the representative is a general partner of the Participant, the Participant shall ensure that such representative is authorised to act, in the case of a partnership, by written power of attorney or, in the case of a corporation, by resolution of the board of directors of such corporation (or in either case by such other method or document as the Corporation agrees to accept). Any such power of attorney or resolution shall be in the Prescribed Form.
- 1.2 Participants shall file with the Corporation the signatures of all individuals who are designated for the purposes of Section 1.1.

2. SECTION 2: APPOINTMENT OF AGENTS

A Participant may appoint one or more persons as its agent(s) a ("**Permitted Agent**") with respect to all contracts or transactions, confirmed, accounted for, settled, delivered or carried out through or by the Corporation and all matters relating thereto, provided that:

- (a) such appointment will not impair the Participant's ability to comply with its obligations under the Rules; and
- (b) such appointment has been consented to by the Corporation and is evidenced by such appointments, authorisations, certifications and other agreements as the Corporation may require in the Prescribed Form.

3. SECTION 3: METHODS OF COMMUNICATION

- 3.1 The Corporation shall be entitled to act and otherwise rely upon any communication (whether or not in writing) which purports, and which the Corporation believes in good faith:
- (a) to be issued by or on behalf of a Participant; and
 - (b) to have been approved by an individual who is authorised by that Participant,
- and which (in the case of an electronic communication) satisfies the requirements of any applicable requirements of the Corporation in relation to the security and integrity of information which is transmitted electronically.

3.2 Notwithstanding Section 3.1, the Corporation may in its absolute discretion delay taking action in respect of any communication while it seeks to verify that such communication has been duly authorised, and the Corporation shall not be liable in any event for any loss or damage which may be incurred by a Participant or other person as a result of any such delay.

3.3 Each Participant will be allotted a number which must be included as specified by the Corporation in communications issued in connection with the operations of the Corporation.

4. **SECTION 4: AVAILABILITY OF STAFF**

The Corporation may, in its discretion, require Participants to procure the attendance of appropriate staff at their offices during specified hours on non-business days when such is deemed necessary by the Corporation to ensure the integrity of its systems and/or for the protection of the Corporation.

5. **SECTION 5: DELIVERY OF REPORTS AND CHECKING INFORMATION**

5.1 All Reports, transmissions and other documents (including any notices issued by the Corporation) in electronic format shall be deemed delivered to and received by each Participant when made available for retrieval by the Corporation. Each Participant shall be obligated to retrieve and review all Reports, transmissions and documents (including transmissions or Reports made available by the Corporation electronically for retrieval pursuant to Rules 6, 7 and 8, and documents made available by the Corporation electronically for retrieval as provided in Section 1 of Rule 28), and to notify the Corporation promptly of any error or discrepancies contained therein. To the extent necessary or appropriate, the Corporation may cause an adjustment to be made to the data within such time as the Corporation determines to be necessary.

5.2 The contents of all Reports, transmissions and other documents delivered or deemed to be delivered to a Participant shall be conclusive and binding on the Participant if the Participant does not notify the Corporation of any error or discrepancy with 60 days of such delivery or deemed delivery.

RULE 6 –TRADE REPORTING**1. SECTION 1 APPROVED ENTITIES**

- 1.1 An Approved Facility or other person approved by the Corporation for this purpose (an “**Approved Entity**”) may submit to the Corporation for trade reporting, data on any transaction calling for delivery of Eligible Instruments between Participants. The Corporation shall deem the report of any such data by any Approved Entity to have been authorised by the Participant on whose behalf the data has been reported. Data reported by any Approved Entity to the Corporation shall not be deemed to be reported by the Participant to the Corporation until such data is accepted by the Corporation.
- 1.2 The Corporation shall be entitled to rely upon any data so submitted without inquiry into the accuracy or validity of such data. It shall be the responsibility of the Participant to take appropriate corrective action with the Approved Entity which submitted the data to resolve any differences resulting from its submission to the Corporation. Acceptance by the Corporation of data from an Approved Entity shall not relieve the Participant from, or alter, amend or modify, any obligations of the Participant pursuant to the Rules.
- 1.3 A determination by the Corporation to accept data from an Approved Entity shall not be deemed to be an approval of such organization, or an assumption by the Corporation of any responsibility or liability for such Approved Entity’s operation or failure to operate, which shall remain solely between the Participant and such organization.

2. SECTION 2 – TRADE DATA

- 2.1 Trade data submitted to the Corporation shall be submitted Real-time in the form executed (without any form of “pre-netting”), and shall:
- (a) be in such formats;
 - (b) include such identifying details; and
 - (c) meet such operational parameters;
- each as established from time to time by the Corporation.
- 2.2 The Corporation will review trade data received to establish whether it contains such information as the Corporation determines to be necessary. If the trade data does not contain the information required by the Corporation, the Corporation will:
- (a) reject the trade data;
 - (b) advise the relevant Approved Entity in such form and by such time as may be established by the Corporation from time to time; and
 - (c) treat such data as if it had never been submitted.

3. **SECTION 3 – REPORTS ISSUED BY THE CORPORATION**

3.1 The Corporation will issue Reports reflecting trade data received and accepted by the Corporation ("**Trade Status Reports**"). Such Reports may also display such other data as the Corporation shall determine.

3.2 On each Business Day, at such times as the Corporation shall determine, the Corporation will also produce a Report (a "**Position Detail Report**") on an account by account basis. The Position Detail Report will indicate (i) for those Participant accounts the Participant has designated as Netting Accounts as provided in Rule 7, all Accepted Trades received prior to the established cut off time to be settled on a Netted basis as provided in Rule 7, and (ii) for those Participant accounts the Participant has designated as Non-Netting Accounts as provided in Rule 7, all Accepted Trades received prior to the established cut off time to be settled on a trade-for-trade basis. With respect to Netting Accounts, the Position Detail Report will indicate a net position (Netted by trade and Settlement Dates) with respect to Eligible Instruments of each ISIN and Acceptable Currency in which a Participant had a trade. Accepted Trades received after the cut off time will be processed and reported the next Business Day for the appropriate Settlement Dates.

4. **SECTION 4 – CANCELLATION AND CORRECTION**

4.1 An Approved Entity may submit cancellation and/or correction instructions to the Corporation in such form and by such time as may be established by the Corporation from time to time with respect to relevant markets.

4.2 Upon receipt of valid cancellation or correction instructions the Corporation will take such action as it determines to be appropriate in respect of such trade. Each cancellation or correction of an Accepted Trade will be reflected in an appropriate Report.

4.3 Notwithstanding anything to the contrary in this Rule 6, the Corporation shall have the authority (but not the obligation), in order to correct or avoid an error, to unilaterally modify, add, or cancel data submitted by an Approved Entity.

RULE 7 – NOVATION OF OBLIGATIONS, NETTING, SETTLEMENT AND DELIVERIES**1. SECTION 1: NOVATION OF TRANSACTIONS**

- 1.1 Each transaction included in a Trade Status Report shall be novated as provided in Section 1.3 at the time when the transaction is accepted or deemed to be accepted (pursuant to Section 1.7 below) by the Corporation (the "**Time of Novation**"). A transaction which has been novated under this Section 1.1 is referred to in these rules as an "**Accepted Trade**".
- 1.2 If notice of cancellation of an Accepted Trade (the "**Original Transaction**") is received by the Corporation from the relevant Approved Entity prior to the cut-off time specified by the Corporation and is shown as cancelled on a Report then, at the time when the Report is issued to Participants, the Novation in respect of the Original Transaction shall be reversed unless an Insolvency Event has occurred in relation to an original party. Similarly, if the Corporation receives notice of a correction (if applicable in the relevant market) of an Accepted Trade from the Approved Entity prior to such specified cut-off time or the Corporation, pursuant to its authority under Rule 6, makes a correction to avoid an error, and the details of such correction are indicated on a Report then, at the time the Report is issued to Participants, the Novation in respect of the Original Transaction shall be reversed and replaced with a novated transaction reflecting the terms of such transaction as appropriately adjusted by the correction. Accordingly, if an Original Transaction is reported as cancelled or corrected, that Original Transaction shall be treated as if it had never been accepted and novated under this Section 1 and, if an Original Transaction is corrected, it shall be treated as if it had always been in the form as corrected.
- 1.3 At the Time of Novation:
- (a) each Participant which is party to a transaction novated under Section 1.1 shall be released from its obligation to deliver securities or make payments (as the case may be) and its rights against the other in respect of the corresponding payment or deliver obligation owed to it shall cease to exist (being the "**Discharged Rights and Obligations**");
 - (b) the Participant which was the seller under the transaction so novated shall (acting as principal) acquire rights against, and assume obligations towards, the Corporation exactly equivalent to the Discharged Rights and Obligations but with the substitution of the Corporation (acting as principal) in place of the original buyer;
 - (c) the Participant which was the buyer under the transaction so novated shall (acting as principal) acquire rights against, and assume obligations towards, the Corporation exactly equivalent to the Discharged Rights and Obligations but with the substitution of the Corporation (acting as principal) in place of the original seller.
- 1.4 To the extent that the rights and obligations of each party to a transaction are not novated as described under Section 1.3, those rights and obligations shall continue in force and between those parties.

- 1.5 The obligations assumed by the Corporation under Section 1.3 as a counterparty to a Participant shall take effect subject to these Rules in all respects, including, without limitation, all restrictions on the Corporation's obligations and liabilities contained in these Rules.
- 1.6 If and to the extent that the terms of any transaction or any Participant's accounting or other records, forms, correspondence or telephone or other statements, are or purport to be inconsistent with the terms of these Rules, the terms of these Rules shall prevail.
- 1.7 Each transaction effected on, via or by an Approved Entity shall be deemed to be accepted by the Corporation for the purposes of Section 1.1 of this Rule and Novation in respect of the transaction concerned pursuant to Section 1.3 of this Rule (the "**Relevant Novation**") shall consequently have automatic effect at the time that the transaction is effected (i.e., the time at which a binding transaction is created under the terms and conditions of the relevant Approved Entity; the "**Time of Trade**"), subject to the satisfaction of all the following conditions:
- (a) the transaction satisfies the requirements of the Corporation for validation and acceptance of transactions in force and applied by the Corporation at the Time of Trade; and
 - (b) the complete trade data in respect of the transaction (including both buy and sell sides) is received by the Corporation prior to the Close of Business for the Business Day in which the transaction is effected (the "**Cut-off Time**"); and
 - (c) The Corporation has not, prior to the Time of Trade, notified the Approved Entity that it will not accept trades:
 - (i) from a Participant or Non-Clearing Firm that is a party to, or responsible for, the transaction; and/or
 - (ii) in relation to the Eligible Instrument that is the subject of the transaction.

If all of the above conditions are satisfied, then such deemed acceptance, and assumption and release of rights and obligations by virtue of the Relevant Novation, shall be treated as taking effect as from the Time of Trade.

- 1.8 The Corporation may make Procedures varying the provisions of Section 1.7 of Rule 7 as they apply to a specific service or type of transaction.
- 1.9 Section 1.7 of this Rule 7 is without prejudice to any other right of the Corporation pursuant to these Rules in respect of Accepted Trades and transactions submitted to the Corporation, including, without limitation, the Corporation's rights pursuant to Sections 2.2 and 4 of Rule 6, Section 1.2 of Rule 7 and Section 3 of Rule 12.

- 1.10 Nothing in Section 1.7 of this Rule 7 shall fetter the Corporation's discretion to validate and accept a transaction in accordance with Section 1.1 of Rule 7, notwithstanding that such transaction does not satisfy the conditions in Section 1.7 of this Rule 7.
2. **SECTION 2: NETTING OF DELIVERY AND PAYMENT OBLIGATIONS**
- 2.1 Each Participant shall designate, for each account it establishes with the Corporation, whether the account is to be a "**Netting Account**" or a "**Non-Netting Account**". The establishment and designation of Participant accounts shall be subject to such requirements and limitations as the Corporation may specify from time to time.
- 2.2 For each Netting Account, all Accepted Trades with respect to such account in the same Eligible Instrument and Acceptable Currency shall be Netted and settled in accordance with the provisions of these Rules. For each Non-Netted Account, all Accepted Trades with respect to such account shall be settled on a trade-for-trade basis in accordance with these Rules.
- 2.3 A Participant may elect to change the designation of any Non-Netting Account to a Netting Account, such new designation to take effect on the date the Corporation specifies to the Participant.
- 2.4 Immediately upon a Position Detail Report being issued by the Corporation:
- (a) each Accepted Trade of a Participant included in such Position Detail Report in a Netting Account shall be regarded as netted ("**Netted**") for the purpose of these Rules;
 - (b) each party's obligations in respect of the Accepted Trade in such Netting Account shall forthwith automatically be satisfied and discharged and replaced by an obligation to make on the relevant Scheduled Settlement Date the deliveries and payments (if any) to be made by it in accordance with Section 2.5;
 - (c) such netting shall apply only to obligations relating to Eligible Instruments with the same ISIN and Acceptable Currency and, if additional netting facilities are offered by the Corporation in the future, to such other obligations and securities as the Corporation may from time to time specify.
- 2.5 Where a Participant has one or more Client Accounts and/or one or more other accounts with the Corporation, the netting process set out in this Section 2.4 shall apply separately in respect of the Accepted Trades referable to each such account that is designated as a Netting Account.
- 2.6 On each Scheduled Settlement Date, the obligations arising from Accepted Trades between the Corporation and a particular Participant which have been Netted shall be satisfied by delivery of the net balance of Eligible Instruments subject to the Netted Delivery Obligations by the Participant or the Corporation (as the case may be) against the payment of the net balance of the price payable under the Netted Payment Obligations by the Participant or the Corporation (as the case may be).

- 2.7 On each Scheduled Settlement Date, the obligations arising from each Accepted Trade between the Corporation and a particular Participant which has not been Netted shall be satisfied by each party performing its full Delivery Obligation against settlement of the full Payment Obligation (as the case may require).
3. **SECTION 3: ALLOCATION OF DELIVERY OBLIGATIONS AND RECEIVE ENTITLEMENTS; ISSUANCE OF INSTRUCTIONS**
- 3.1 On each Business Day the Corporation will issue delivery and receive instructions to Participants as necessary to accomplish the settlement of Delivery Obligations (Short Positions) or Payment Obligations (Long Positions), as applicable. With respect to Netted Delivery Obligations and Netted Payment Obligations, unless otherwise provided in Procedures adopted by the Corporation for processing transactions submitted by the relevant Approved Entity, a single net Long or Short Position may result in the establishment of more than one Delivery Obligation or Receive Entitlement for an Eligible Instrument in an Acceptable Currency. A single Delivery Obligation may be treated by the Corporation as corresponding to more than one Receive Entitlement, and vice versa.
- 3.2 The Corporation will, where authorised to do so, instruct each Participant's Agent or the relevant Settlement Entity to debit and/or credit, as the case may require, such Participant's account on the Scheduled Settlement Date with the relevant Eligible Instruments in satisfaction of the Participant's Delivery Obligation or Receive Entitlement and any corresponding Payment Obligation. All deliveries of Eligible Instruments in satisfaction of Receive Entitlements shall be processed in accordance with the rules, procedures and/or terms of business of the Relevant Securities Depository and of any other Settlement Entity through which settlement is effected ("**Relevant Settlement Rules**") and the obligations of the Corporation under the Rules shall be construed accordingly.
4. **SECTION 4: DELIVERY BY THE CORPORATION**
- 4.1 The Corporation shall deliver Eligible Instruments to a Participant with a Receive Entitlement as required by this Rule in performance of the Delivery Obligation owed by the Corporation to that Participant, subject to:
- (a) the Corporation first having received sufficient Eligible Instruments from one or more other Participants and/or completed a borrowing of sufficient Eligible Instruments (if it so elects, or as provided for in Procedures adopted by the Corporation for the processing of transactions from the relevant Approved Entity) with which to perform the Delivery Obligation; and
 - (b) performance by the Participant with the Receive Entitlement of any related Payment Obligation or Payment Obligations; and
 - (c) the provisions of the Relevant Settlement Rules.
5. **SECTION 5: PARTICIPANTS' SETTLEMENT OBLIGATIONS**

Each Participant shall, on each day on which the Relevant Securities Depository is open for business in an Eligible Instrument, settle all Delivery Obligations and/or Payment Obligations then due in respect of such Eligible Instrument where such obligations can be settled on the books of the Relevant Securities Depository, even if any third party, including a clearing bank or a depository institution acting on behalf of such Participant, is not open for business.

6. SECTION 6: RECEIPT OF REPORTS

- 6.1 Reports shall be deemed to have been made available by the Corporation to a Participant on each Business Day at the time when the Corporation has both completed its processing cycle for the preparation of such Reports and released such Reports to the Corporation's data output facility or facilities.
- 6.2 The inability of a Participant, whether because of automation problems or for any other reason, to receive a Report that has been made available to it by the Corporation shall not excuse or otherwise affect such Participant's obligations pursuant to these Rules.
- 6.3 A Participant shall be obliged to accept Reports from the Corporation in any electronic format determined by the Corporation.

7. SECTION 7: RESPONSIBILITY FOR THIRD PARTY ACTION

No improper or unauthorised action, failure to act or fraud committed by any third party acting on behalf of a Participant (including, but not limited to, a service bureau) shall excuse or otherwise affect such Participant's obligations pursuant to this Rule.

8. SECTION 8: OBLIGATION TO INFORM THE CORPORATION

Each Participant shall promptly inform the Corporation of the following:

- (a) any difficulty in receiving, or inability to receive, Reports from the Corporation, in the manner, or within the time limits, that such Participant ordinarily receives Reports;
- (b) the receipt by such Participant from the Corporation of a Report that it believes either contains erroneous information or omits material information; and
- (c) any potential difficulty in satisfying, or inability to satisfy, any of its obligations when due with respect to the delivery or receipt of Eligible Instruments, or the payment of money, that may arise pursuant to these Rules.

9. **SECTION 9: ELIGIBLE INSTRUMENTS NO LONGER DELIVERABLE**

If an Eligible Instrument is removed from the list of Eligible Instruments because it is no longer deliverable through the Relevant Securities Depository, such determination shall be communicated to all Participants by the Corporation after receipt of such notification from the Relevant Securities Depository. In this event, the Corporation shall issue appropriate instructions to Participants with affected transactions and, to the extent applicable, to the relevant Settlement Entity and/or Relevant Securities Depository, naming the Participants which are the counterparties to such transactions. Such instructions may effect a new Novation and/or netting with any other Participant. The settlement of the affected transactions shall be between the parties named in such instructions and shall not be subject to these Rules.

10. **SECTION 10: INSTRUMENTS BECOMING INELIGIBLE FOR PROCESSING**

An Eligible Instrument may be declared by the Corporation to be ineligible for transaction processing if, in the judgment of the Corporation, (i) a transaction relating to such Eligible Instrument is or has become impossible to perform or, if performed by the Corporation, would be prejudicial to the interests of Participants, or (ii) Participants may lose important rights by reason of its continued status as an Eligible Instrument. In this event, the Corporation shall issue appropriate instructions to Participants which are parties to affected transactions and, to the extent applicable, to the relevant Settlement Entity and/or any Relevant Securities Depository, naming the Participants which are the counterparties to such transaction. Such instructions may effect a new Novation and/or netting with any other Participant. The settlement of the transaction(s) concerned shall be between the parties named in such instructions and shall not be subject to these Rules.

11. **SECTION 11: FAILED SETTLEMENT POSITIONS**

Each Failed Settlement Position shall be maintained by the Corporation on each Business Day subsequent to its Scheduled Settlement Date up to and including the day on which such Failed Settlement Position is actually settled in accordance with these Rules. Notwithstanding the foregoing, if the Corporation adopts Procedures for processing transactions effected on or through an Approved Entity which provide for fail netting, then the applicable provisions of those Procedures shall apply to the treatment of Failed Settlement Positions relating to transactions effected on or through such Approved Entity.

12. **SECTION 12: PARTIAL DELIVERIES**

If permitted by the rules of the Relevant Securities Depository:

- (a) The Corporation may, in its sole discretion, accept from a Participant with a Delivery Obligation a delivery of only a portion of the Eligible Instruments that comprise such Delivery Obligation (a "**Partial Delivery**");
- (b) Each Participant with a Receive Entitlement shall be required to accept Partial Deliveries from the Corporation and to take all such steps as are necessary to enable it to do so. Failure to accept a Partial Delivery shall be

deemed to be failure to comply with a Settlement Obligation for the purposes of the Rules; and

- (c) If a Partial Delivery of Eligible Instruments by a Participant is accepted by the Corporation, the remaining Eligible Instruments that were not delivered to the Corporation will constitute a Failed Settlement Position.

13. SECTION 13: FINANCING COSTS AND OBLIGATION TO RECEIVE SECURITIES

13.1 If:

- (a) a Participant with a Delivery Obligation has sufficient Eligible Instruments available to complete its Delivery Obligation; and/or
- (b) the Corporation has sufficient Eligible Instruments available to complete its Delivery Obligation,

on or after the Scheduled Settlement Date but the Corporation is unable to deliver them to a Participant with a Receive Entitlement, whether because such Participant has insufficient cash or credit facilities necessary to make payment for the delivery or for any other reason which is the fault of that Participant (the "**Late Receiving Participant**"), the Late Receiving Participant shall be obliged to pay a Compensation Amount to the Corporation and shall reimburse the Corporation for all costs, expenses and charges incurred by the Corporation as the result of such non-acceptance. Such Compensation Amount shall be determined in accordance with the formula from time to time specified by the Corporation (based on the costs incurred by the Corporation as a result of such delay). The Corporation may pay a Compensation Amount (as determined by the Corporation) to the Participant referred to in (a) or retain such payment, as the case may require. Such payments may be made on such day and by such method as determined by the Corporation.

13.2 If the Corporation:

- (a) holds Eligible Instruments but cannot for any reason complete a Delivery Obligation; or
- (b) does not receive any Eligible Instrument, or receives any Eligible Instrument after any deadline for delivery established by the Corporation from time to time,
- (c) any resulting financing or other costs incurred by the Corporation (including any fail charges imposed by the Relevant Securities Depository, any losses due to withholding Taxes on account of any distribution made with respect to such Eligible Instruments, or any cost incurred in relation to the borrowing of securities to satisfy any Delivery Obligation on the part of the Corporation, if the Corporation elects to do so) shall be allocated among Participants in the manner specified by the Corporation and notified to Participants from time to time.

14. **SECTION 14: RIGHT OF THE CORPORATION TO CREATE SECURITY INTERESTS IN ELIGIBLE INSTRUMENTS**

- 14.1 If the Corporation deems it appropriate, in its sole discretion, to obtain financing for the settlement services contemplated by these Rules (including, without limitation, the financing of positions arising out of the delivery by Participants to the Corporation of Eligible Instruments), the Corporation may create, and each Participant hereby expressly authorises the Corporation to create, such security interests in Eligible Instruments delivered to it by Participants in favour of any entity or entities, including any depository institution, from which the Corporation, in its sole discretion, deems it necessary or appropriate to obtain and maintain such financing.
- 14.2 Any such security interests in any Eligible Instruments may be created by the Corporation to secure an obligation greater in amount and/or duration than the obligation of any Participant to the Corporation relating to such Eligible Instruments.
- 14.3 Each Participant shall promptly take such action as the Corporation may from time to time request to give effect to such secured financing arrangements, including the transfer of all or any Eligible Instruments which it is required to deliver to the Corporation pursuant to its Delivery Obligations to such account as the Corporation may designate.
- 14.4 Notwithstanding the above, the Corporation shall remain obliged to redeliver Eligible Instruments to Participants in the circumstances and at the times specified in these Rules.

15. **SECTION 15: PARTICIPANTS' BUY-IN AND SELL-OUT RIGHTS; EXERCISE BY THE CORPORATION OF BUY-IN AND SELL-OUT RIGHTS**

- 15.1 The Corporation may from time to time adopt Procedures to enable:
- (a) a Participant that has a Receive Entitlement which has not been fulfilled by the Close of Business on the Business Day after the Scheduled Settlement Date through no fault of the Participant, to Buy-In its unfulfilled Receive Entitlement;
 - (b) a Participant that has a Delivery Obligation which has not been completed through no fault of that Participant by the Close of Business on the Business Day after the Settlement Date, to Sell-Out its unfulfilled Delivery Obligation; and
 - (c) the Corporation to initiate either a Buy-In or Sell-Out, as applicable, in the case of a failure by a Participant to meet a Settlement Obligation.
- 15.2 The Corporation may from time to time vary the Buy-In and Sell-Out procedures, including as it deems appropriate to reflect the generally accepted practice of the primary market of the relevant Eligible Instrument or the primary clearing house for that market (as conclusively determined by the Corporation); such Procedures may specify the timeframes within which such Buy-Ins or Sell-Outs may be initiated and executed.

- 15.3 Notwithstanding the foregoing provisions of this Rule or any Procedure, the Corporation may initiate either a Buy-In or a Sell-Out (as the case may require) at any time in any circumstance it determines in its sole discretion that such action is necessary in order to protect the Corporation, Participants, creditors or investors, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions.
- 15.4 If in the opinion of the Corporation it is not reasonably practical to effect a Buy-In of the Eligible Instruments concerned (whether due to the unavailability of the Eligible Instrument or otherwise, and whether pursuant to a Participant-initiated Buy-In or its own exercise of Buy-In rights), the Corporation may instead elect to discharge any obligation to deliver Eligible Instruments by making a cash payment (referred to as the **“Buy-In Discharge Payment”**). The amount of the Buy-In Discharge Payment shall be determined (i) with respect to a Buy-In effected under an applicable Procedure, as provided in such Procedure, and (ii) with respect to a Buy-In effected pursuant to Section 15.3 or Rule 12, in accordance with local market practice in the market where the Buy-In is executed.
- 15.5 When a Buy-In or Sell-Out is executed, the Corporation shall cancel the Failed Settlement Position (and related settlement instructions) of the Participant(s) bought-in or sold-out, as applicable, and shall settle the obligations arising under the Failed Settlement Position by making corresponding cash debits and credits to the appropriate Participants reflecting the applicable Buy-In or Sell-Out execution price and any applicable fees and charges.

16. **SECTION 16: CORPORATE RIGHTS AND RELATED MATTERS**

- 16.1 For the purposes of this Section, a **‘Corporate Right’** is any right or benefit which accrues in respect of an Eligible Instrument, (whether before or after the Scheduled Settlement Date) including:
- (a) a dividend or interest payment or other distribution (whether of income or capital);
 - (b) a repayment of capital in whole or in part (whether or not accompanied by the redemption, cancellation or other extinction of the Eligible Instrument concerned);
 - (c) an issue of securities by way of capitalisation or otherwise;
 - (d) any right to vote or assent to any matter;
 - (e) any right to accept an offer made to the holder of the Eligible Instrument concerned;
 - (f) any right to convert the Eligible Instrument into another security; or
 - (g) any right to subscribe for or acquire any other security or property.

- 16.2 Where the terms of a Clearing Contract require the delivery of an Eligible Instrument, and prior to the settlement of such contract:
- (a) the Eligible Instrument is cancelled, redeemed or extinguished, no Delivery Obligation shall arise in respect of the Clearing Contract, but this is without prejudice to:
 - (i) any obligations to account for any Corporate Right arising under this Section; and
 - (ii) any related Payment Obligation under the terms of the Clearing Contract;
 - (b) the Eligible Instrument is subdivided, consolidated, converted or exchanged into or for another security, the Delivery Obligation under the Clearing Contract shall be deemed to be replaced (subject to the remaining provisions of this Section) by an obligation:
 - (i) to deliver the securities which result from such subdivision, consolidation, conversion or exchange; and
 - (ii) to account for any related Corporate Right under this Section.
- 16.3 Entitlement to any Corporate Right which accrues in respect of an Eligible Instrument shall for the purposes of the Rules be determined by the Corporation, and a Participant entitled to a Corporate Right on this basis is referred to in this Section as an "**Entitled Participant**".
- 16.4 Where the benefit of a Corporate Right is received or exercisable by:
- (a) the Corporation; or
 - (b) a Participant (other than an Entitled Participant) with a Delivery Obligation in relation to the Eligible Instrument concerned (an "**Accountable Participant**"),
- then subject to the remaining provisions of this Section:
- (i) the Accountable Participant shall account for such Corporate Right on demand to the Corporation; and
 - (ii) the Corporation shall account to the Entitled Participant on demand for any Corporate Right which it holds whether through a Settlement Entity or by virtue of (i).
- 16.5 For the purposes of this Section references to "accounting" to a person (the "**Recipient**") for a Corporate Right means, subject to Sections 16.6, 16.7 and 16.8:
- (a) in the case of a cash sum, payment of that sum to the Recipient;
 - (b) in the case of an entitlement to receive securities or other property, the transfer of such securities or property (or the entitlement thereto) to or to the order of the Recipient and at the Recipient's expense (so that, among other

things, the Recipient will be liable for all Taxes arising in relation to such transfer);

- (c) in the case of a right to vote or assent to a matter or accept an offer, the use of reasonable endeavours to enable the Recipient to exercise such right, or to exercise such right on the Recipient's behalf and for the Recipient's benefit.

16.6 The Corporation shall in no circumstances:

- (a) be required to notify an Entitled Participant of any Corporate Right, it being the responsibility of the Entitled Participant to give notice to the Corporation that it wishes to receive or exercise the Corporate Right;
- (b) be required to account for an amount or benefit greater than that which it actually receives (after deduction of any Tax to which it is liable in respect of the benefit and/or which it is required to deduct by law); or
- (c) be liable for any failure or delay on the part of:
 - (i) any Accountable Participant; or
 - (ii) any Relevant Securities Depository or other custodian or agent through whom the Eligible Instruments are held or to be settled (together "**Underlying Holders**") or any restrictions or limitations imposed by an Underlying Holder on the exercise of any Corporate Right,

but for the avoidance of doubt the obligations of an Accountable Participant are not qualified in this way.

16.7 Any obligations of the Corporation or (subject to Section 16.9) of any Accountable Participant are subject to receipt (as the case may be) from the Entitled Participant or the Corporation of:

- (a) any necessary instructions in sufficient time to exercise such Corporate Right;
- (b) all payments required to be made in consideration of the exercise of the Corporate Right (for example the subscription price payable on a rights issue), together with payment, or an indemnity in terms satisfactory to the Corporation, in respect of any Tax or any other costs to be borne by the Recipient under Section 16.5,

failing which the Corporation or (subject to Section 16.9) the Accountable Participant shall have no obligation to take any step to exercise or attempt to exercise the Corporate Right.

16.8 Where the aggregate of:

- (a) the amount of securities arising as a consolidation, subdivision, conversion or exchange referred to in Section 16.2; or

- (b) the amount or value of any Corporate Right available to the Corporation, (including those securities or Corporate Rights to be delivered or accounted for by Participants to the Corporation under this Section 16) is less than the amount or value which would have accrued to all Entitled Participants had they been the individual holders at the material time of the relevant Eligible Instruments (for example as a result of fractional entitlements or on a partial redemption of securities selected by lot) the Corporation shall allocate the securities and or Corporate Rights concerned among the Entitled Participants on such basis as it considers in its sole discretion to be fair and equitable.
- 16.9 An Accountable Participant shall be accountable for the full amount of any Corporate Right arising in relation to an Eligible Instrument (without any deduction on account of Tax whether payable on its own account or which it is required to deduct for any other reason) and shall in addition be liable to compensate the Corporation (for the benefit of all Entitled Participants) for any loss which the Corporation or any Entitled Participant suffers because the Corporation or any Entitled Participant is unable to meet any deadline for giving instructions in respect of a Corporate Right as a result of a delay or failure by the Accountable Participant to act as required by this Section.
- 16.10 Except as provided in Section 16.9 and provided that they comply with the preceding provisions of this Section, neither the Corporation nor any Accountable Participant shall be liable for any loss suffered by any Entitled Participant in relation to any delay or in receiving or exercising, or any inability to receive or exercise, a Corporate Right.
- 16.11 Notwithstanding the foregoing provisions of this Section 16, the Corporation may from time to time adopt Procedures for the processing of Corporate Rights with respect to transactions executed on or through an Approved Entity, which Procedures may take account of local market practices. Such Procedures may also establish other or alternative methods for allocating liabilities among Participants with open Delivery Obligations in an Eligible Instrument undergoing a Corporate Right, and for allocating any losses, costs or Taxes incurred or paid by the Corporation in connection therewith. The provisions of any such Procedure shall, to the extent provided by the terms of the Procedure, apply in place of the provisions of this Section 16.
- 16.12 It is the intent of these Rules that the Corporation suffer no loss (and thus be fully indemnified) as a result of its holding any position in a security subject to a Corporate Right at a Relevant Securities Depository on the Expiration/Acceptance and/or Deposit Date, as applicable, for the exercise of such Corporate Right and the foregoing provisions of this Section 16 shall be interpreted and apply accordingly.

RULE 8 - PROVISIONS CONCERNING SETTLEMENT

1. SECTION 1: SETTLEMENT ARRANGEMENTS

- 1.1 The Corporation shall specify, in relation to each Eligible Instrument:
- (a) the Acceptable Currency or Currencies in which it will accept transactions in such Eligible Instrument for processing pursuant to these Rules;
 - (b) The securities depository through which settlement of Delivery Obligations and Receive Entitlements in each such Acceptable Currency is to be effected (the "**Relevant Securities Depository**"); and
 - (c) (if applicable) the settlement agent (including any Settling Bank) through which the Corporation will act;
- (the Relevant Securities Depository and any such settlement agent collectively referred to in these Rules as "**Settlement Entities**").
- 1.2 Each Participant shall make and at all times maintain in force such arrangements, (collectively, "**Settlement Arrangements**"), whether directly or through its own agent or agents (the "**Participant's Agent**"), with the relevant Settlement Entities (including any Settling Bank) as will enable it to comply with all Settlement Obligations which it may from time to time incur.
- 1.3 Each Participant shall, if so required by the Corporation and to the fullest extent permitted by applicable law and the rules of any Settlement Entity concerned:
- (a) provide the Corporation with such information about the terms of its Settlement Arrangements as the Corporation may from time to time require;
 - (b) authorise its Participant's Agent(s) (including any Settling Bank) and/or any relevant Settlement Entity (as the case may require) (the "**Relevant Persons**") to provide the Corporation with information about the Participant's account or accounts with the Relevant Persons, and in each case about transactions entered into in relation to such account(s) for the purposes of or in connection with the services;
 - (c) authorise, or procure that the Participant's Agent authorise, by power of attorney or other document in Prescribed Form (referred to below as a "**Settlement Authority**") each Settlement Entity to make and receive deliveries and/or payments from and to the Participant's or the Participant's Agent's accounts as are necessary to settle the Participant's Settlement Obligations, including any Funds Only Settlement Obligations.
- 1.4 No action, or failure or inability to act, by a Settlement Entity or by a Participant's Agent (including any Settling Bank) shall excuse or otherwise affect the obligations of a Participant to the Corporation pursuant to these Rules.

- 1.5 If a Participant (or, to the knowledge of the Participant, the Participant's Agent) intends to terminate, or terminates, its relationship with any Relevant Person or any Settlement Authority the Participant shall give the Corporation at least 10 Business Days notice of such intention or action. A Participant shall not give effect to any such termination unless it appoints another person to take on the functions concerned as from the time of termination. Moreover, the Participant hereby consents to the disclosure by each Settlement Entity to the Corporation that the Settlement Entity has terminated the Settlement Authority provided by the Participant or the Participant's Agent to that Settlement Entity. Notwithstanding the foregoing, and for the avoidance of doubt, Participants acknowledge that to the extent any replacement of a Relevant Person or Settlement Entity (including a Settling Bank) involves an entity that has not previously acted in that capacity for one or more Participants and, as such, the Corporation requires the establishment of communication links and/or testing by such entity with the Corporation before it can be activated as such in the Corporation's systems, a Participant shall not give effect to any such termination with its existing Relevant Person or Settlement Entity until such time as the Corporation has completed any required set-up and testing with the replacement entity. The Corporation may from time to time establish such requirements, including testing, as it deems appropriate for the appointment and activation of Relevant Persons and Settlement Entities.
- 1.6 Where the Corporation does not have a power of attorney arrangement at a Relevant Securities Depository directly, but instead is relying, as a Settlement Authority, on a power of attorney with the Participant's Agent, then the Participant must ensure that its Participant's Agent, upon receiving settlement instructions from the Corporation under the Settlement Authority, matches the settlement instruction in the Relevant Securities Depository in a timely manner so as to enable settlement of the Settlement Obligations to occur in the standard cycle on the intended settlement date.
- 1.7 Participants and Participant's Agents shall not submit to a Settlement Entity instructions cancelling or otherwise modifying any instruction submitted by the Corporation to the Settlement Entity pursuant to a Settlement Authority.
- 1.8 If:
- (a) settlement of a transaction is delayed; and
 - (b) as a result any relevant instructions given by or on behalf of a Participant to a Settlement Entity are treated by the Settlement Entity as having been cancelled or as otherwise having ceased to be effective,

the Participant shall promptly renew the instructions concerned when so required by the Corporation.

2. **SECTION 2: FUNDS ONLY SETTLEMENT; FAILURE TO SETTLE**

- 2.1 At such time as determined by the Corporation, the Corporation shall produce on each Business Day a Report which will reflect the debit or credit of all cash amounts in the relevant Acceptable Currencies which the Corporation is due to pay or receive from a Participant ("**Funds Only Settlement Obligations**"); such amounts will

include, as applicable: all fees payable by the Participant to the Corporation with respect to its services, any Compensation Amounts which the Corporation is due to receive from or pay to the Participant, any fines or other charges or costs payable by the Participant pursuant to these Rules, cash adjustments payable pursuant to applicable Procedures (including any payments due with respect to Buy-Ins), and any other cash amounts due in relation to miscellaneous activity as may be specified by the Corporation from time to time. All credit and debit amounts in each Acceptable Currency will be totalled, with the resultant net amount representing either the Funds Only Settlement Obligation owed by the Participant to the Corporation, or owed by the Corporation to the Participant.

- 2.2 All Payment Obligations that arise pursuant to these Rules shall be satisfied through debits to the account of the Participant at the relevant Settlement Entity which, with respect to Funds Only Settlement Obligations, shall be the Settling Bank for each Acceptable Currency designated by the Participant, in accordance with such requirements (including those designed to insure all such Funds Only payments are final and irrevocable when made) as the Corporation may from time to time establish.
- 2.3 All Settlement Obligations shall be completed by such time each Business Day as the Corporation may specify. A Participant will be deemed to have failed to settle if it fails to comply with any Settlement Obligation at the due time.
- 2.4 A Participant that fails to settle on the Scheduled Settlement Date may be subject to action by the Corporation pursuant to Rule 11 or 21 and the other sanctions provided for in the Rules. This is without prejudice to the Participant's continuing obligation to comply with the Settlement Obligation concerned.

3. **SECTION 3: SETTLEMENT THROUGH NON-CLEARING FIRMS**

- 3.1 Where a General Clearing Participant has undertaken to settle transactions for a Non-Clearing Firm, the Corporation may permit settlement of such transactions to be effected by the delivery of securities and/or the payment of money (as the case may be) by or to the Non-Clearing Firm (or an agent of the Non-Clearing Firm) instead of by or to the Participant concerned.
- 3.2 Any such permission shall be:
 - (a) without prejudice to Section 1.3 of Rule 2, and so:
 - (i) shall not affect the Participant's rights or obligations in respect of any transaction (including, without limitation, the Participant's obligation to procure settlement of the transactions if the Non-Clearing Firm fails to do so); and
 - (ii) shall not confer any rights or benefits on the Non-Clearing Firm; and
 - (b) subject to such conditions and the execution of such documents as the Corporation may prescribe from time to time.
- 3.3 A Non-Clearing Firm which settles transactions in accordance with this Section shall be treated for the purposes of the Rules as acting as a Participant's Agent for the

Participant concerned, and all deliveries and payments made by the Corporation to a Non-Clearing Firm in accordance with this Section shall be deemed to satisfy the Corporation's corresponding delivery or payment obligations (as the case may be) to the relevant Participant.

4. **SECTION 4: SALE OF SECURITIES**

4.1 In the event the Corporation shall sell any securities pursuant to these Rules, such sale may be made in any available market, by any execution agent the Corporation may select, or at public auction or by private sale, including the sale to a Participant or Participants having Long Positions, and may be made without further demand or notice to any Participant who has an interest in the securities concerned.

4.2 If the sale is made on any market, or if the sale is at public auction, the Corporation may purchase the securities sold for its own account.

5. **SECTION 5: TREATMENT OF OUTSTANDING BALANCES**

Subject to the operation of Rule 12 and notwithstanding any agreement between the Corporation and a Participant to the contrary, the Corporation shall have the right at any time and from time to time to aggregate and net all or any balances due from the Corporation against all or any balances due to the Corporation.

6. **SECTION 6: SETTLEMENT FINALITY**

6.1 The Corporation shall specify in Procedures the types of instruction given by or on behalf of a Participant or the Corporation which are "Transfer Orders" for the purposes of the Rules.

6.2 For the purposes of the Settlement Finality Regulations, the Corporation shall in Procedures specify the time at which Transfer Orders:

- (a) take effect and are entered into the System; and
- (b) become irrevocable.

Such procedures may specify different times in respect of different categories of Transfer Order.

6.3 A Transfer Order shall not be revoked at any time after it becomes irrevocable as provided in Section 6.2(b).

RULE 9 – MARKET DISRUPTION AND FORCE MAJEURE**1. SECTION 1: MARKET DISRUPTION EVENTS**

1.1 On the happening of any one or more of the events or circumstances set out below (each a "**Market Disruption Event**"), the Corporation shall be entitled to take such action as is set out in this Rule:

- (a) a state of war existing, imminent or threatened which is likely to affect or has affected the normal course of business, including performance by the Corporation or by one or more Participants of any obligations under these Rules;
- (b) the exercise, variation or revocation of controls by the government of any nation, state or territory or any institution or agency thereof; which appears likely to affect the normal course of business, including performance by the Corporation or one or more Participants of any obligations under these Rules;
- (c) the introduction, variation, termination or permitted lapse of any provision, or notice (or the appearance) of an intention to do so by the EU or any international organisation, or any institution or agency thereof of a nature likely to affect the normal course of business, including performance by the Corporation or by one or more Participants of obligations under these Rules;
- (d) the closure, suspension or disruption of the operations of, or any default by, an Approved Entity or by a Relevant Securities Depository or other Settlement Entity; or
- (e) Force Majeure, including (without limitation) any other event or circumstances beyond the control of the Corporation which the Corporation determines may adversely affect its ability to perform its obligations under the Rules. Such events or circumstances may include, but are not limited to, acts of God or the public enemy; acts of civil or military authority other than the acts referred in the preceding paragraphs of this Rule; embargoes; fire; flood; labour disputes; unavailability, failure, malfunction or restriction of computer or data processing facilities or other technology, or energy supplies, or of bank transfer, payment securities or settlement or communication systems, and any other causes beyond the parties' reasonable control.

2. SECTION 2: AUTHORITY TO TAKE ACTION

On the happening of one or more Market Disruption Events, the Corporation shall be entitled:

- (a) to issue such instructions to Participants (whether or not they are affected by any Market Disruption Event); and
- (b) to take (without limitation) such action permitted under Section 3 of Rule 12

as it considers necessary or desirable to manage the continued operation of the Corporation and/or in respect of any obligations of the Corporation or its Participants

under these Rules, taking into account the impact on Participants of the event and the Corporation's proposed actions in response thereto.

3. **SECTION 3: NOTIFICATION REQUIREMENTS**

3.1 Each Participant shall notify the Corporation immediately upon it becoming aware of any Market Disruption Event.

3.2 The Corporation shall promptly notify each Participant of:

- (a) any notice received pursuant to Section 3.1; or
- (b) any action the Corporation takes or intends to take in response to a Market Disruption Event which has or will have a significant impact on the Participants and/or their obligations under these Rules.

4. **SECTION 4: LIABILITY**

The Corporation shall not be liable for any failure, hindrance, interruption or delay in the performance of its obligations under these Rules, in whole or part, if such failure, hindrance, interruption or delay arises out of a Market Disruption Event.

RULE 10 - FINANCIAL RESPONSIBILITY AND OPERATIONAL CAPABILITY**1. SECTION 1: ESTABLISHMENT OF STANDARDS**

The Corporation shall (in addition to the requirements set out elsewhere in these Rules) establish, as it deems necessary or appropriate, standards of financial responsibility, operational capability, experience and competence for participation. The Corporation may also establish guidelines for the application of such participation standards.

2. SECTION 2: POWER TO OBTAIN INFORMATION

2.1 Each Participant's books and records shall at all times be open to inspection by the duly authorised representatives of the Corporation and the Participant shall furnish the Corporation with all such information in respect of:

- (a) its business and transactions; and
- (b) its Controllers and all persons holding significant positions with the Participant,

as the Corporation may reasonably require. If a person ceases to be a Participant, the Corporation shall continue to have the right to inspect that person's books and records, and to require information, relating to transactions which were effected prior to the time when it ceased to be a Participant.

2.2 The Corporation shall have the authority at any time to examine the financial responsibility and operational capability of any Participant if:

- (a) it fails to maintain the relevant standards and qualifications for admission to participation, including but not limited to minimum capital standards and the standards referred to in Section 1;
- (b) it breaches any Rule or other agreement with the Corporation;
- (c) it fails to satisfy in a timely manner any obligation to the Corporation;
- (d) there is a material change in control or financial condition of such Participant;
or
- (e) the Corporation otherwise deems it necessary or advisable, in order to protect the Corporation, its other Participants, or its creditors or investors, to safeguard securities and funds in the custody or control of the Corporation, or to promote the prompt and accurate processing, clearance or settlement of securities transactions.

2.3 In conducting such examinations, the Corporation may require a Participant:

- (a) to furnish such information (certified by one of its directors or officers if the Corporation so requires); and/or

- (b) to provide such explanations and/or answer such questions as will be sufficient, in the opinion of the Corporation, to demonstrate the financial responsibility and operational capability of the Participant.
- 2.4 In connection with such examinations, the Corporation may also require information from the employees of the Participant under examination or from any other person and may receive records, reports or other information as may be relevant to the matter under examination from any regulatory body to which the Participant may be subject.
- 3. **SECTION 3: POWER TO REQUIRE ASSURANCES**
- 3.1 A Participant shall furnish to the Corporation such adequate assurances of its financial responsibility and operational capability as the Corporation may at any time or from time to time deem necessary or advisable in order to protect the Corporation, Participants, creditors or investors, to safeguard securities and funds in the custody or control of the Corporation and for which the Corporation is responsible, or to promote the prompt and accurate clearance, settlement and processing of securities transactions.
- 3.2 Upon the request of a Participant, or otherwise, the Corporation may choose to confer with a Participant before or after requiring the Participant to furnish adequate assurances pursuant to this Rule.
- 3.3 Adequate assurances of the financial responsibility or operational capability of a Participant, as may be required pursuant to these Rules may include, but shall not be limited to:
 - (a) additional reporting by a Participant of its financial or operational condition at such intervals and in such detail as the Corporation shall determine;
 - (b) increased Margin and/or Guarantee Fund deposits of the Participant (including additional amounts required in respect of trade activity received by the Corporation after calculation of the applicable Margin Amounts and/or Contribution);
 - (c) the requirement of a guarantee from a financial institution or from an Associate of the Participant of any or all of the Participant's obligations under these Rules;
 - (d) entering into agreements concerning the provision of operational support services by an entity acceptable to the Corporation;
 - (e) restrictions on the Participant's use of the Corporation's services whether generally or in respect of certain transactions, including requiring the Participant to reduce its open Short Positions and/or Long Positions within a stipulated time limit; and
 - (f) such assurances as may be required pursuant to the Corporation's Procedures.

4. **SECTION 4: REGULAR REPORTING**

4.1 A Participant shall submit to the Corporation:

- (a) a copy of its annual financial statements certified or audited by the Participant's Auditors;
- (b) a copy of the audited financial statements of any guarantor of the Participant; and
- (c) with respect to Participants that are authorised and regulated by the FSA:
 - (i) copies of all regular reports that the Participant is required to submit to the FSA in relation to the Participant's (and the Participant's Group's) financial status and exposure to risk, including without limitation to the generality of the foregoing, copies of all FSA forms and reports pursuant to which the Participant notifies the FSA of the capital adequacy of the Participant and the Participant's Group;
 - (ii) a copy of any notification to the FSA that is required to be made when the Participant's level of Regulatory Capital or any other financial requirement falls below the levels prescribed by the FSA;
- (d) with respect to any Participant that is subject to supervision by any Regulator other than the FSA, copies of such regulatory reports, notifications or disclosures as may be agreed between the Corporation and the Participant as providing equivalent information to the documents identified in Section 4.1(c) above;

each at the same time as the documents concerned are filed with the Participant's Regulator; and

- (e) prompt notification of any matter which does not fall within section 4.1 (c) or (d) above but which:
 - (i) invalidates in any material respect information which the Participant has previously provided to the Corporation; or
 - (ii) calls into question whether the Participant continues to meet the Participant Standards, in particular but without limitation those set out in Rule 2 Section 5.1(e), (g) and (i), namely that:
 - (a) it has adequate personnel, physical facilities, books and records, accounting systems and internal procedures to enable it satisfactorily to handle transactions and communicate with the Corporation, fulfil anticipated commitments to and meet the operational requirements of the Corporation with necessary promptness and accuracy, and conform to any condition and requirement that the Corporation reasonably deems necessary for its protection or that of its Participants;

- (b) it agrees to make, and has sufficient financial ability to make, all anticipated payments required to be made to the Corporation that may be set forth in these Rules; and
- (c) the Applicant, its Controllers and any other person holding a significant position within the Applicant are fit and proper.

4.2 To the extent that the Participant is prevented, as a consequence of any regulatory restriction, from providing to the Corporation an actual copy of any report, form, notice or disclosure required pursuant to Section 4.1(c) or (d) above ("**Restricted Report**"), the Participant shall provide to the Corporation a written statement containing equivalent information to that set out in the Restricted Report and certified by a senior manager of the Participant as an accurate and complete representation of the information provided to the Regulator in the Restricted Report;

each at the same time as the documents concerned are filed with the Participant's Regulator.

4.3 To the extent that the documents submitted under Section 4.1 do not in the Corporation's opinion provide it with sufficient information, regarding the Participant's Excess Regulatory Capital, the Participant shall provide to the Corporation a separate computation, to be certified by its Chief Executive Officer or Financial Officer (or equivalent), of its Excess Regulatory Capital at the same intervals as it provides regular reports to its Regulator, but in any event no less than quarterly.

4.4 If at any time:

- (a) the FSA or any other relevant Regulator changes its requirements in respect to the reports, notifications and disclosures identified in Section 4.1(c) or agreed between a Participant and the Corporation pursuant to Section 4.1(d) (as the case may be); and
- (b) as a result the information which the Corporation is entitled to receive in respect of a Participant in accordance with Section 4.1 is reduced in any material respect,

the Participant shall:

- (i) promptly notify the Corporation both of the fact and nature of any such change; and
- (ii) provide such additional or alternative reports or information as the Corporation may reasonably require.

5. **SECTION 5: CHANGES OF CIRCUMSTANCES**

5.1 Subject to Section 5.2 a Participant shall promptly notify the Corporation, both orally and in writing:

- (a) if the Participant is no longer in compliance with the Participant Standards;

- (b) if the Participant becomes the subject of any investigation or inquiry by its Regulator or by any other governmental or regulatory body;
 - (c) if any investigation referred to in (b) above is concluded or settled (stating the results of such conclusion or settlement);
 - (d) if any development occurs which would materially change the answers provided in the Participant's Applicant Questionnaire;
 - (e) if any event referred to in Rule 11 occurs;
 - (f) if any material adverse change, which could bring into question the Participant's ability to perform its obligations under the Rules, has occurred;
 - (g) if the Participant is subject to a merger or similar reorganisation;
 - (h) if any person becomes or ceases to be a Controller of the Participant or increases or reduces its percentage control by more than 10 per cent; or
 - (i) if there is a change in the representatives of the Participant designated in accordance with Section 1 of Rule 5.
- 5.2 Nothing in this Section shall require a Participant to disclose any information if (notwithstanding the Corporation's obligations under Rule 23) it is unlawful for it to do so; provided that if it is unlawful for a Participant to provide particular information at a particular time it shall provide the information as soon as it becomes lawful for it to do so.
- 5.3 A Participant which:
- (a) fails to perform any of its material contracts, obligations or agreements connected with its business which could have material adverse effect on its ability to perform its obligations under the Rules; or
 - (b) determines that it will be unable to perform any of such material contracts, obligations or agreements
- shall immediately notify the Corporation orally and in writing of such.
- 5.4 The requirements of Sections 5.1 and 5.2 are in addition to any other specific notification requirements contained in the Rules.
- 5.5 If the Corporation determines that:
- (a) any circumstance mentioned in Section 5.1 or 5.2 (the "**Relevant Circumstance**") has occurred to a Participant (whether or not the Corporation has been notified of it pursuant to that Section); and
 - (b) the Relevant Circumstance may prejudice the Participant's ability to perform its obligations hereunder or may otherwise prejudice the interest of the Corporation or the Participants,

it may give notice to the Participant requiring it to take such steps as the Corporation may specify in the light of the Relevant Circumstance within such time frame as it may specify.

5.6 If:

- (a) the Participant fails to take such steps within the specified time frame; or
- (b) the Relevant Circumstance is not capable of remedy,

the Corporation may (without prejudice to any other remedies which it has) suspend or limit the Participant's use of the services of the Corporation or cease to act for the Participant in accordance with Rule 11.

6. **SECTION 6: ONGOING MONITORING (SURVEILLANCE STATUS)**

Based upon criteria as established by the Corporation from time to time (e.g. the "risk rating matrix"), a Participant whose financial and/or operational condition has been determined to be such that it may increase, or potentially increase, operational and/or financial risk to the Corporation and/or its Participants, may be placed on the Corporation's "watch list." Participants included on the watch list are subject to closer monitoring by the Corporation, and the Corporation may take such actions with regard to such Participant as permitted within these Rules.

RULE 11 – SUSPENSION OR TERMINATION OF PARTICIPATION: CEASING TO ACT**1. SECTION 1: SUSPENSION**

The Corporation may (but without any obligation to do so), at any time, suspend a Participant and suspend that Participant in respect of any service provided by the Corporation, either with regard to a particular transaction or transactions or with regard to all transactions generally, with immediate effect (or with effect from such later time and date as the Corporation may specify):

- (a) if any Termination Event has occurred and is continuing in relation to the Participant, or any event or circumstance has occurred which would, with the expiry of a grace period, the giving of notice, the making of any determination under these Rules or any combination of the foregoing, constitute a Termination Event; or
- (b) in the circumstances provided in Section 5 of Rule 10.

2. SECTION 2: ENDING OF SUSPENSION

2.1 The suspension of a Participant pursuant to Section 1 shall continue for so long as the Corporation shall in its absolute discretion determine and shall end on such date and on such conditions as the Corporation shall determine.

2.2 Without prejudice to the generality of the foregoing, the Corporation may terminate a suspension if it deems that the reason for the suspension no longer exists, or that:

- (a) the suspended Participant is in full compliance with all its obligations under these Rules and its Participant Obligations; and
- (b) such Participant's participation in the Corporation would not threaten the orderly operation, security, integrity and reputation of the Corporation or the interests of other Participants.

2.3 A suspended Participant may request the Corporation to terminate its suspension for the reasons specified in Section 2.2.

2.4 The Corporation may impose any restrictions, conditions, fines or default interest that it deems reasonable as a condition for ending such suspension.

3. SECTION 3: CEASING TO ACT

The Corporation may resolve to cease to act for the Participant in whole, or in part in relation to any particular function or service, with immediate effect (or with effect from such time and date as the Corporation may determine):

- (a) if any Termination Event has occurred and is continuing in relation to such Participant, whether or not such Participant has first been suspended;
- (b) in the circumstances set out in Section 5 of Rule 10; or

- (c) if another party succeeds to the rights of the Participant in consequence of a merger under the laws of any jurisdiction.
4. **SECTION 4: NOTIFICATION**
- 4.1 The Participant shall, forthwith upon becoming aware of the occurrence of any event or circumstance referred to in Section 1, inform or notify the Corporation in writing of such event or circumstance and the Participant will not (except with the prior consent of the Corporation) take any steps which could result in any further Eligible Instrument (in addition to those for which the Participant has open obligations or entitlements) becoming the subject of a Clearing Contract.
- 4.2 If the Corporation suspends or ceases to act for a Participant with respect to a particular transaction or to transactions generally, it shall promptly notify such Participant and all other Participants that it has done so, specifying the date on which such cessation or suspension took effect. It shall also identify in the same or a subsequent notice or notices the transaction or transactions in respect of which the Corporation has ceased to act or suspended the Participant and shall state, insofar as appropriate, how such transaction or transactions will be affected and what steps will be taken by the Corporation.
- 4.3 The Corporation shall promptly provide to any Participant whose participation it suspends or for whom it ceases to act pursuant to this Rule, or whose request for the ending of its suspension is refused by the Corporation, a Written Statement of the grounds for such decision and of the Participant's right to request a hearing pursuant to Rule 22. Any such hearing requested by the Participant pursuant to Rule 22 shall, if so requested, be held as soon as reasonably practicable after such statement is provided. A request for a hearing shall not affect the timing, validity or effect of the suspension or cessation to act.
- 4.4 If the Corporation takes any action pursuant to this Rule, it shall notify the FSA, and any Approved Entity of which the Participant is a member, of that action as promptly as reasonably practicable.
- 4.5 Suspension of participation or ceasing to act for a Participant shall not affect the Novation and/or netting of any prior Accepted Trade to which the Participant is a party.
5. **SECTION 5: CEASING TO ACCEPT DATA AND TRANSACTIONS**
- After the Corporation has ceased to act for a Participant with respect to a particular transaction or transactions generally, it shall decline to accept or process from or on behalf of that Participant any further data or transactions, unless the Corporation otherwise determines in order to promote an orderly settlement process.
6. **SECTION 6: RIGHTS AND REMEDIES**
- 6.1 Suspension of participation or cessation to act for a Participant shall not affect any rights or obligations arising prior to or continuing during or after the date of the suspension or cessation, which arise in consequence of the suspension or cessation

or which relate to the Participant's period of participation (including the rights of the Corporation under Section 9 of Rule 21), and all such rights and obligations shall continue to be subject to these Rules.

- 6.2 The Corporation shall not be liable to the Participant for any Loss incurred by the Participant arising out of the exercise by the Corporation of its powers of suspension or cessation pursuant to these Rules. This shall be the case notwithstanding that an appeal against the suspension or cessation to act may be upheld pursuant to Rule 22.
- 6.3 After the Corporation has ceased to act for a Participant with respect either to a particular transaction or to transactions generally, (i) the Corporation shall have the same rights and remedies in respect of any money or securities due from such Participant or any liability incurred as the result of such Participant's action as if the Corporation had not ceased to act for it, and (ii) the Corporation shall be entitled to take all or any such action set out in Section 3 of Rule 12 as the Corporation may think appropriate, whether or not a Termination Event has occurred.

7. **SECTION 7: REPORT OF ACTION**

A written report of any action taken by the Corporation pursuant to this Rule, and the reasons for it, shall be promptly made and filed with the FSA and with the Corporation's records. The Corporation may also, at the same time or at any time subsequently, notify any other regulatory body or organisation of which such Participant is a member (or by which it is regulated) of the action taken by the Corporation pursuant to this Rule.

8. **SECTION 8: TERMINATION EVENTS**

A "**Termination Event**" means, in relation to a Participant, any of the following events or circumstances:

- (a) the Participant fails to perform any of its obligations to the Corporation arising under these Rules or is in material breach of any Rule or of the terms of any agreement, arrangement or understanding with the Corporation;
- (b) the Participant fails to make to the Corporation, when due or payable, any payment or deposit provided for in these Rules or otherwise (including payment of any fee, fine or other charge) or is otherwise in default under these Rules or the terms of any agreement or threatens to suspend payment or to default under these Rules or the terms of any agreement;
- (c) the Participant is in material breach of the rules or terms of membership of any exchange, or is suspended or expelled from membership of any exchange, or of any other recognised, designated or overseas investment exchange or clearing house;
- (d) the Participant is in material breach of the requirements (whether or not having the force of law) of its Regulator or of any other regulatory body or organisation (including, for the avoidance of doubt, the FSA) or of any

investment exchange or clearing house of which such Participant is a member, or by which it is regulated, or the authorisation of the Participant by its Regulator, or by any such regulatory body or organisation, is suspended or withdrawn;

- (e) any regulatory body takes or threatens to take action against or in respect of the Participant under any law or regulation;
- (f) the Corporation has reasonable grounds to believe that the Participant is in or is approaching significant financial or operational difficulty or otherwise will be unable to perform its obligations to the Corporation;
- (g) the Corporation has determined that the Participant is no longer in compliance with any one or more of the Participant Standards;
- (h) the Corporation has reasonable grounds to believe that the Participant (i) has been responsible for any fraudulent or dishonest conduct, or (ii) for any breach of fiduciary duty, or (iii) has made any material misstatement to the Corporation, or has omitted to disclose to the Corporation any material fact in any statement made to the Corporation, or to any officer or employee of the Corporation, in connection with its application to become a Participant or subsequently in connection with any transaction processed or service provided by the Corporation;
- (i) circumstances have arisen which the Corporation has reasonable grounds to believe make it appropriate to suspend the Participant's participation or to cease to act for the Participant in order to avoid the risk of a failed or rejected delivery, or which could be prejudicial to the Corporation or represent a threat to the orderly operation, security, integrity or reputation of the System or which would involve the Corporation in material expense or legal proceedings, not being proceedings solely between the Corporation and the Participant arising out of these Rules;
- (j) the Corporation has reasonable grounds for believing the Participant's participation is disruptive or prejudicial to other Participants;
- (k) the Controller of a Participant, if an individual, dies or appears, in the reasonable belief of the Corporation, to have become or to be likely to become mentally incapable of managing his or her property and affairs;
- (l) the Participant is dissolved pursuant to a consolidation, amalgamation or merger (except on terms previously approved by the Corporation);
- (m) the Participant suspends or threatens to suspend, or ceases or threatens to cease, to carry on all or substantially all of its business;
- (n) the Participant repudiates or evidences an intention to repudiate of any agreement between the Corporation and the Participant, or any other document relating to the Participant's business with the Corporation, or contests the validity, perfection or priority of the security interests in favour of

the Corporation created pursuant to these Rules or such agreement or document;

- (o) any treaty, law, regulation, decree, ordinance, policy, order, judgment or proceeding shall purport to render any provision of any Rule or any agreement between the Corporation and the Participant, or any other document relating to the Participant's business with the Corporation, invalid or unenforceable or shall purport to prevent or materially delay the performance or observance by the Participant of its obligations in accordance with their terms;
- (p) any provision of any Rule or any agreement between the Corporation and the Participant, or any other document relating to such Participant's business with the Corporation, is or ceases for any reason to be binding on or enforceable against the Participant, or the Participant shall so assert in writing;
- (q) the Corporation has reasonable grounds to believe that there is a risk that the continuing participation of the Participant could result in an obligation being incurred by it to the Corporation which the Participant would be unable to settle when due;
- (r) the Corporation has reasonable grounds to believe that the suspension of the Participant's participation or ceasing to act for the Participant is necessary either for the protection of the Corporation or for any of the other Participants or to ensure the orderly operation, security, integrity and/or reputation of the System;
- (s) the Participant admits in writing its inability to pay any debt, or it appears to the Corporation that the Participant is unable to pay its debts as they fall due or that the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities;
- (t) the Participant stops, or suspends, or threatens to stop or suspend, payment of all or any part of its indebtedness or commences negotiations with any one or more of its creditors with a view to the general readjustment or rescheduling of all or any part of its indebtedness or the making of a general assignment for the benefit of or composition with its creditors or if a moratorium is agreed, declared or otherwise obtained in respect of, or affecting, all or any part of its indebtedness;
- (u) any distress, execution or other process is levied or enforced upon or against any property of the Participant;
- (v) an application is made to a court of competent jurisdiction, or an order is made by such court, for the purpose of (i) adjudging the Participant to be bankrupt or insolvent; (ii) approving or granting a petition for a moratorium, reorganisation, arrangement (including pursuant to a scheme of arrangement), liquidation, dissolution, adjustment or composition of or in respect of the Participant under any Insolvency Law; (iii) appointing an administrator, assignee, custodian, examiner, liquidator, provisional

liquidator, receiver, sequestrator, supervisor, nominee or trustee or other similar official in respect of the Participant or any substantial part of its property, assets or undertaking; (iv) ordering the winding up, liquidation or bankruptcy of the Participant; or (v) consenting to the institution by the Participant or any person of proceedings for it to be adjudicated, bankrupt or insolvent or for it to be wound up or liquidated;

- (w) the Participant takes any step or commences any proceedings seeking reorganisation or relief under any Insolvency Law or Insolvency Protection;
- (x) the Participant takes any step or commences any proceedings, or consents to any application, for, or becomes subject to, the appointment of an administrator, assignee, custodian, examiner, liquidator, provisional liquidator, receiver, sequestrator, supervisor, nominee, trustee or other similar official in respect of the Participant or any substantial part of its property, assets or undertaking;
- (y) the Participant, being a partnership, is dissolved, or being a registered company, is dissolved or suffers its name to be struck off the register of companies;
- (z) anything occurs under the laws of any applicable jurisdiction which is analogous to or has a substantially similar effect to any of the events described in clause paragraphs (t) to (y) inclusive above in relation to the Participant;
- (aa) an event listed in paragraphs (t) to (z) inclusive occurs in relation to any Group Company of the Participant (and for this purpose any reference in those paragraphs to "the Participant" shall be construed as a reference to each Group Company), where such occurrence could or may give rise to the occurrence of such an event in relation to the Participant; or
- (bb) if a Participant has failed, or is or appears to the Corporation to be unable to, perform any of its obligations to the Corporation under or in connection with one or more Clearing Contracts, or appears to the Corporation likely to fail or to become unable to do so.

9. SECTION 9: VOLUNTARY RETIREMENT

A Participant may elect to voluntarily retire from participation by providing the Corporation with written notice of such termination. Such termination will not be effective until accepted by the Corporation. The Corporation's acceptance shall be evidenced by a notice to the Corporation's Participants announcing the Participant's retirement and the effective date of the retirement (the "**Retirement Date**"). A Participant's voluntary termination of membership shall not affect its obligations to the Corporation, or the rights of the Corporation, with respect to transactions submitted to the Corporation before the Retirement Date.

RULE 12 – DEFAULT RULES AND PROCEDURES ON CEASING TO ACT FOR A PARTICIPANT**1. SECTION 1: APPLICABILITY**

- 1.1 The Corporation shall be entitled to take action under Section 3 of this Rule with respect to a Participant if:
- (a) such Participant is or appears to be unable to perform its obligations under or in connection with one or more Clearing Contracts and/or Transfer Orders, or appears to be likely to become unable to perform such obligations, or any other Termination Event occurs and is continuing in relation to each Participant; and
 - (b) the Corporation has ceased to act for the Participant with respect to a particular transaction or to transactions generally as provided in Rule 11.
- 1.2 The provisions of this Rule 12 constitute the default rules of the Corporation for the purposes of Part VII, the Recognition Regulations and the Settlement Finality Regulations (the "**Default Requirements**").
- 1.3 The exercise by the Corporation of its powers under this Rule 12 shall be subject to any directions given by the FSA pursuant to Section 166 of the Companies Act 1989.
- 1.4 The Corporation shall co-operate, by the sharing of information and otherwise, with the FSA, the Bank of England, any Relevant Office-Holder, and any other authority or body having responsibility for any matter arising out of, or connected with, the default of a Participant.

2. SECTION 2: DEFAULT NOTICE AND OTHER NOTIFICATION

- 2.1 The Participant shall, forthwith upon becoming aware of the occurrence of any event referred to in Section 1.1, inform the Corporation in writing of such event and the Participant will not (except with the prior consent of the Corporation) take any steps which could result in any further Eligible Instrument (in addition to those for which the Participant has open obligations or entitlements) becoming the subject of a Clearing Contract.
- 2.2 As soon as reasonably practicable after the Corporation has elected to take any action under Section 3 in relation to a Participant, the Corporation shall:
- (a) issue a Default Notice in respect of such Participant;
 - (b) notify other Participants of the issue of such Default Notice and any decision taken under these Rules in relation to Clearing Contracts and Transfer Orders to which the Defaulter is a party;
 - (c) notify the FSA of the issue of the Default Notice and, in at least general terms, the action that has been or will be taken by the Corporation to settle all outstanding obligations and other pending matters involving the Defaulter and the Corporation.

- 2.3 A Participant in respect of which a Default Notice has been issued is referred to in these Rules as a "**Defaulter**" and the expression "**Relevant Office-Holder**" has the meaning given to it by section 189 of the Companies Act 1989. A reference to the Defaulter shall include (where the context permits) a reference to any Relevant Office-Holder appointed in relation to the Defaulter.
- 2.4 Without prejudice to the preceding provisions of this Section, a Participant upon
- (a) the passing of a creditors' voluntary winding up resolution; or
 - (b) a trust deed granted by it becoming a protected trust deed
 - (c) shall notify the Corporation, the Bank of England and the FSA forthwith of such event.

3. **SECTION 3: ACTION BY THE CORPORATION**

- 3.1 The Corporation may take any one or more of the following steps on or at any time or times after the occurrence of an event specified in Section 1.1:
- (a) delete from processing by the Corporation transaction data relating to a transaction which has not become an Accepted Trade as provided in these Rules, unless otherwise determined by the Corporation with a view to promoting an orderly market in any Eligible Instrument;
 - (b) cancel or reverse any outstanding instruction for payment of cash or delivery of Eligible Instruments to or for the benefit of the Defaulter, unless it is a Transfer Order which has become irrevocable as specified pursuant to Rule 8, Section 5;
 - (c) realise all or any of the Participant's Collateral whether by public or private sale for the account of the Defaulter without being obliged to obtain the Defaulter's consent or any order of a court of law, and to appoint any person to execute any document for such purpose in the name and on behalf of the Defaulter;
 - (d) transfer the Defaulter's position under any unsettled Clearing Contract to another Participant, being a Participant entitled and willing to have such position transferred to it or to transfer another Participant's position under an unsettled Clearing Contract to the Defaulter for the purposes of closing out an unsettled contract in the name of the Defaulter or for any other reason which the Corporation considers appropriate in the circumstances, without requiring the consent of any relevant Approved Entity;
 - (e) make or cause to be made one or more original contracts on behalf of the Defaulter, including (without limitation) original contracts for the purpose of hedging market risk to which the Defaulter is exposed, and to record the same in the Defaulter's name under the Rules;
 - (f) exercise on behalf of the Defaulter any option granted by an unsettled Clearing Contract, notwithstanding that such exercise may take place on a

day which is not a day prescribed for such exercise by rules of any relevant Approved Entity;

- (g) close out or otherwise discharge all rights, obligations and positions of the Defaulter then outstanding with respect to Accepted Trades (including netted Delivery Obligations or Payment Obligations) and all rights, obligations and positions of the Defaulter arising out of the exercise by the Corporation of all or any of its other powers under these Rules;
- (h) designate a currency as a currency of account and, at the Defaulter's expense, to convert any sum payable by or to the Defaulter in another currency into the currency of account;
- (i) without prejudice to any other right of the Corporation under these Rules and subject to applicable law, take such other action with regard to any unsettled Clearing Contract to which the Defaulter is a party as the Corporation may deem necessary to effect an orderly discharge of the Defaulter's obligations and/or for the protection of the Corporation or other Participants and any such action may be taken in the name and at the expense of the Defaulter;
- (j) appoint any person as its agent for the purpose of selling or otherwise disposing of any Collateral at any time after the powers conferred by this Section 3 have become exercisable; and/or
- (k) obtain (at the expense of the Defaulter) such advice or assistance, whether legal advice or otherwise, as the Corporation may deem necessary with respect to any matter arising out of the occurrence of any event specified in Section 1.1.

3.2 Where the Corporation exercises its rights under Section 3.1:

- (a) the Corporation may take such action as it may determine to be necessary or expedient, subject to applicable law, to close out or otherwise discharge and/or net the rights, obligations and positions of the Defaulter referred to in Section 3.1(g), including by:
 - (i) buying in or selling out the Eligible Instruments deliverable by or to the Defaulter and/or taking such other action as the Corporation may determine to be necessary or expedient to close out the Delivery Obligations or Payment Obligations and Failed Settlement Positions of the Defaulter; and/or
 - (ii) effecting Corresponding Contracts in relation to unsettled contracts to which the Defaulter is a party;
- (b) the Corporation may, subject to Section 4.5, take such action notwithstanding the fact that the transactions concerned were effected on different accounts of the Defaulter or have different Scheduled Settlement Dates;
- (c) the Corporation may bring into account for the purpose of such close out, discharge and/or netting all liabilities incurred by the Corporation in

consequence of exercising its powers under this Section 3 (for which the Participant shall be liable to indemnify the Corporation) including all reasonable expenses to process the default and enforce its rights hereunder;

- (d) the Corporation may collect and retain or bring into account for the purpose of such close out, discharge and/or netting all dividends, interest and other income receivable under any unsettled contracts with the Defaulter;
- (e) amounts payable by or to a Defaulter on such close out, discharge and/or netting of its rights, obligations or positions shall be determined by the Corporation (whose determination will be conclusive).

For the purposes of this Section 3.2, a "**Corresponding Contract**" means a contract on the same terms (except as to price or premium) as the contract to which the Defaulter is a party but under which the person who is the buyer under the contract agrees to sell and the person who is the seller under the contract agrees to buy. This Section 3.2 applies with any necessary modifications in relation to a contract which is not an agreement to sell.

- 3.3 The procedure applicable under Section 3.2 shall be completed by the Corporation as promptly as practicable after the Corporation has given a Default Notice, provided that the Corporation may, if it appears appropriate to the Corporation in the circumstances known to it, exercise the procedure in such stages and at such times as the Corporation considers best calculated to minimise any Loss to the Participants of the Corporation and to avoid the creation of a disorderly market in any Eligible Instrument that could otherwise arise from such close-out procedure.
- 3.4 To the extent that the ability of the Corporation to perform its obligations to deliver Eligible Instruments to any Participant other than a Defaulter is adversely affected by the operation of the procedures set out in Sections 3.1 and 3.2, the Corporation may take such action as it considers appropriate in the circumstances to protect its position. Such action may include (without limitation) closing out at Market Value or netting positions of the affected Participant in Eligible Instruments with a distinct ISIN whether or not the transactions concerned have different Scheduled Settlement Dates or (subject to Section 4.5) were effected on different accounts.

4. **SECTION 4: FINAL NET SETTLEMENT**

- 4.1 Upon the discharge of the Defaulter's rights and liabilities under or in respect of all contracts to which it is party, the Corporation shall:
 - (a) bring into account all sums payable by or to the Defaulter in respect of Clearing Contracts and (to the extent permitted by the Default Requirements) all other sums payable by or to the Defaulter under these Rules;
 - (b) the sums so payable shall be aggregated or set off so as to produce a net sum or, where Section 4.5 of this Rule is applicable, two separate net sums; and

- (c) if payable by the Defaulter to the Corporation, such net sum shall in each case be set off against:
- (i) the amount of any relevant Collateral provided by or on behalf of the Defaulter; and
 - (ii) the amount of any outstanding Contribution of the Defaulter to the Guarantee Fund (after the application of such Contribution for any other purpose permitted under the Rules)
- (or, in either case, the proceeds of realisation of such amounts) so as to produce a further net sum, or shall be aggregated with any debit balance on the Defaulter's account or, where Section 4.5 of this Rule is applicable, on the relevant separate account; or
- (d) if payable by the Corporation to the Defaulter, such net sum shall in each case be aggregated with the amounts referred to in paragraphs (c)(i) and (ii) of this Section 4.1 (or the proceeds of realisation of such amounts), or shall be set off against any other sum payable by the Defaulter to the Corporation as the Corporation may select so as to produce a further net sum or, if Section 4.5 of this Rule is applicable, a further separate net sum on the relevant account.

For the avoidance of doubt, the Guarantee Fund Contribution of a Defaulter may in the event of a default be used only in accordance with the above provisions of this Section.

- 4.2 For the purposes of this Rule, the Corporation may assess the sum payable by or to the Defaulter in respect of any breach of the Rules in such reasonable manner as it thinks fit.
- 4.3 Upon completion of the process set out in Section 4.1 of this Rule, the Corporation shall promptly certify each sum finally payable by the Defaulter to the Corporation (or vice versa) or, as the case may be, the fact that no sum is payable. The certificate of the Corporation under this Rule shall be conclusive as to the discharge of the Defaulter's rights and liabilities in respect of the Clearing Contracts to which it relates and the net sum finally payable in respect thereof (or the fact that no sum is payable). The Corporation shall incur no liability whatsoever for any act or omission in determining any sum payable under this Rule.
- 4.4 Subject to Section 4.5, the accounts of the Defaulter shall be combined for the purposes of this Section 4.
- 4.5 Save as may otherwise be required by the Default Requirements, where the Defaulter has one or more Client Accounts and one or more House Accounts with the Corporation, the process set out in this Section 4 shall be separately completed in respect of the two kinds of account and the sums finally payable shall be separately certified under Section 4.3. For this purpose:

- (a) Unless otherwise required by the Default Requirements, an account which is a Client Account shall not be combined for the purpose of such process with an account which is a House Account;
 - (b) The Corporation may allocate any surplus of Collateral provided by the Defaulter in respect of its House Account(s) to meet a deficiency on the Defaulter's Client Accounts;
 - (c) The Corporation shall allocate the Defaulter's Guarantee Fund Contribution between the Client Account and House Account calculations on such basis as it deems appropriate; and
 - (d) Where amounts to be indemnified by the Defaulter under Section 3.2(c) are referable to one or more Client Accounts and one or more House Accounts of the Defaulter, the Corporation may allocate the amount between the accounts on such basis as it deems appropriate.
- 4.6 The Corporation shall, as soon as practicable after issuing a Default Notice in respect of a Participant, appoint a day on which any net sums certified under this Rule will become due to the Defaulter and will be paid by the Corporation. The day so appointed shall not fall on a day before completion of the process specified in this Rule.
- 4.7 The Corporation shall make such report to the FSA of its proceedings under this Rule, and shall supply copies and make available such report, in the manner required by section 162 Companies Act 1989.
- 4.8 The provisions of this Rule 12 are without prejudice to the right of the Corporation:
- (a) to prove in the insolvency of the Defaulter both in respect of any net sum or sums payable by the Defaulter pursuant to Section 4.1 and in respect of any other obligations of the Defaulter to the extent they are not brought into account in the net settlement procedure set out in that Section including any other expenses incurred by the Corporation in consequence or in respect of the event specified in Section 1.1 or the steps which are taken under this Rule, and of any other losses, costs or expenses incurred or suffered by the Corporation and for which the Defaulter is liable under the Rules; and/or
 - (b) to exercise any other rights and remedies which it may have against the Defaulter, including (to the extent permitted by the Default Requirements) the right to set off any sum payable by the Corporation to the Defaulter on Client Account in or towards the discharge of any sum payable by the Defaulter to the Corporation (whether on Client Account or House Account of the Defaulter or otherwise).
- 4.9 For the avoidance of doubt, margin provided by the Defaulter with respect to a House Account shall not be applied to meet a shortfall on a Client Account other than a Client Account of the Defaulter.

5. **SECTION 5: DELEGATION, CO-OPERATION, REPORTING**

- 5.1 The Corporation may appoint any person to take or assist it in taking any step under these Rules or to complete or assist it in completing the process set out in Sections 3 and 4.
- 5.2 The Corporation may co-operate, by the sharing of information and otherwise, with the FSA, the Bank of England or any other Regulator, any Approved Entity, or any Relevant Office-Holder acting in relation to the Defaulter or his estate and any other authority or body having responsibility for any Defaulter, or having an interest in any matter arising out of or connected with the circumstances mentioned in Section 1 of this Rule.
- 5.3 In addition to any report supplied under section 162(3) of the Companies Act 1989, the Corporation shall report to the Defaulter, or any Relevant Office-Holder acting in relation to the Defaulter, on the steps taken by the Corporation in relation to the Defaulter under Section 3 of this Rule.

6. **SECTION 6: LOSS ALLOCATION**

If any action taken pursuant to this Rule results in an aggregate net Loss which the Defaulter fails to pay to the Corporation, the amount of such Loss shall be allocated and borne in accordance with Section 10 of Rule 4, the provisions of which shall constitute part of these default rules.

RULE 13 - SUSPENSION OF RULES

1. The Corporation may:
 - (a) extend the time fixed by these Rules for the doing of any act or acts; or
 - (b) waive the doing of any act or acts required by these Rules; and
 - (c) suspend any provision of these Rules,whenever, in its judgment, such extension, waiver or suspension is necessary or expedient and provided that such extension, waiver or suspension:
 - (i) will not prejudice the performance of the Corporation's Regulatory Functions; and
 - (ii) will not result in any undue risks or disadvantages to Participants.
2. A written report of any such extension, waiver or suspension (other than an extension of time of less than eight hours), stating the pertinent facts, the identity of the person or persons who authorised such extension, waiver or suspension and the reason such extension, waiver or suspension was deemed necessary or expedient, shall be promptly made and filed with the Corporation's records and shall be available for inspection by any Participant during regular business hours on Business Days. Any such extension or waiver may continue in effect after the event or events giving rise thereto but shall not continue in effect for more than 60 calendar days after the date thereof unless it shall be approved the Board of Directors, or a duly authorised committee thereof, within such period of 60 calendar days.
3. References in this Rule to "Rules" include reference to any Procedures or regulations made pursuant to the Rules.

RULE 14 - EXCEPTION PROCESSING

Notwithstanding any provisions in these Rules to the contrary, in the event that a security may not otherwise be eligible for processing through the Corporation's systems, the Corporation, in its sole discretion, may adopt, from time to time, procedures deemed appropriate for the processing of such security. Any such procedures shall be promptly communicated to Participants by the Corporation and the Participants shall be bound by the procedures set forth in such notice as fully as though such procedures were now a part of these Rules. Each such notice shall be effective only for the security covered therein.

RULE 15 - CHARGES FOR SERVICES RENDERED AND RESPONSIBILITY FOR COSTS

1. Participants shall pay such fees and charges to the Corporation as shall be specified by the Corporation from time to time.
2. A Participant may be charged for any unusual expenses caused directly or indirectly by such Participant including (but without limitation), the cost of producing records pursuant to a court order or other legal process in any litigation or other legal proceeding to which such Participant is a party or in which such records relating to such Participant are so required to be produced, whether such production is required at the instance of such Participant, or of any other party other than the Corporation.
3. A Participant shall be responsible for all costs which it may incur in using the Services or in putting itself in a position to do so, including:
 - (a) the fees and expenses of the Participant's Agent or any Settlement Entity in respect of accounts maintained with them by the Participant (a "**Settlement Account**");
 - (b) any costs or expenses incurred by the Participant transferring Eligible Instruments into or away from the Participant's Settlement Account; and
 - (c) Relevant Stamp Tax.

RULE 16 – WIND DOWN OF A PARTICIPANT

1. When a Participant notifies the Corporation that it intends to wind down its activities, the Corporation may, in its sole discretion, in order to protect itself and its Participants, determine that such a Participant is a "**Wind-Down Participant**". In that event and, without limiting any other rights of the Corporation under these Rules and any relevant Procedures, the Corporation may impose conditions on, or take actions with respect to, the Wind-Down Participant as provided below.
2. As soon as practicable after the Corporation determines that a Participant is a Wind-Down Participant, the Corporation shall notify the Wind-Down Participant, all other Participants and its Regulator of such determination.
3. The Corporation may, in its discretion, impose conditions on, or take actions with respect to, the Wind-Down Participant as appropriate to mitigate risk the Corporation perceives may be presented by the Wind-Down Participant, including but not limited to, the following:
 - (a) Permitting the Wind-Down Participant to submit to the Corporation only transactions that serve to support the wind-down;
 - (b) Permitting the Wind-Down Participant to continue use of one or more of the Corporation's services, notwithstanding that it may not meet some or all of the financial or operational requirements for continuance as a Participant;
 - (c) Restricting or modifying the Wind-Down Participant's use of any or all of the Corporation's services (whether generally, or with respect to certain transactions);
 - (d) Requiring additional assurances of the financial responsibility or operational capability of the Wind-Down Participant through, for example, submission of a guaranty of the Wind-Down Participant's obligations to the Corporation by an entity acceptable to the Corporation and/or additional reporting by the Wind-Down Participant;
 - (e) Increase the required Contributions and/or Margin Amount of the Wind-Down Participant to post increased Contributions and/or to post its Contribution all in cash or in proportions of cash and Eligible Government Securities different from those permitted under these Rules;
 - (f) Prohibiting the Wind-Down Participant from withdrawing any Collateral or any part of its Contribution in excess of its Margin Amount or its required Contribution at the relevant time;
 - (g) Calculating the Contribution or the Margin Amount of the Wind-Down Participant in a manner different from the applicable formulae provided in the Procedures, in order to more appropriately reflect the risk presented by the Wind-Down Participant to the Corporation, such as for example, not applying certain components of such calculation; or

- (h) Liquidating by buying-in or selling-out, as applicable, any open positions of the Wind-Down Participant, for the benefit of such Wind-Down Participant with any profit or loss resulting therefore being debited or credited, as applicable, to the settlement account of the Wind-Down Participant.
- 4. If the Corporation takes, or mandates, any action pursuant to this Rule, the Corporation shall, as soon as practicable thereafter, notify the FSA and such other Participants as it deems proper due to the nature of such action.
- 5. Notwithstanding the foregoing, the Corporation shall not be restricted from exercising any of its rights in these Rules or in any agreements between itself and the Participant at any time, including the Corporation's right at any time to cease to act for the Wind-Down Participant pursuant to Rule 11.

RULE 17 – FORMS AND DATA REQUIREMENTS

1. In connection with any transactions or matters handled through, with or by the Corporation under or pursuant to these Rules, such forms of instructions, lists, notices and other documents or records shall be used as the Corporation may from time to time prescribe, and additions to, changes in and elimination of any such forms may be made by the Corporation at any time in its discretion. In addition, any information required to be delivered to the Corporation by use of any such forms may be delivered by the use of any media and form of communication as shall be prescribed by the Corporation from time to time.

2. In connection with the Corporation's processing, the Corporation may establish, from time to time, such data field requirements for transaction and instructional input, including mandatory identifying details, as it determines are necessary or appropriate for the processing of activity under the services it provides. The Corporation may reject any such input that does not contain all mandatory data details.

RULE 18 – PROCEDURES

1. The Corporation may, pursuant to these Rules, from time to time, specify times and amounts and prescribe, amend and withdraw from time to time procedures and other regulations to be observed by Participants in relation to the business of the Corporation. Each Participant will be bound by such procedures and regulations and any amendment thereto in the same manner as it is bound by the provisions of these Rules.
2. Any proposal for the adoption or amendment of published procedures pursuant to these Rules ("**Procedures**") shall be subject to the provisions (with any necessary alterations) of Rule 19. Any other matter referred to in Section 1 shall be notified to Participants by way of notice given in accordance with Rule 28.
3. References herein to the Rules shall, unless the context otherwise requires, include reference to all Procedures for the time being in force.

RULE 19 - RULE CHANGES

1. Subject to this Rule, the Corporation may from time to time amend or cancel any Rule or Procedure, or make or adopt additional Rules or Procedures (in each case a "**Rule Change**"), provided that the Rule Change may not:
 - (a) affect a Participant's right to cease to be a Participant; or
 - (b) alter the provisions of this Rule or of Rule 4,unless before the Rule Change becomes effective the Participant is given an opportunity to give written notice to the Corporation of its election that the Corporation shall cease to act for it.
2. A Rule Change may include such transitional provisions as the Corporation considers appropriate.
3. The Corporation shall immediately notify all Participants of any proposal to make a Rule Change. Any such notification shall be accompanied by:
 - (a) the text of the proposed Rule Change and sufficient explanation to enable Participants to understand its intended purpose and effect and;
 - (b) an appropriately detailed assessment of the likely costs and benefits of the Rule Change.
4. The Corporation shall:
 - (a) allow Participants a reasonable period (not less than 30 days) to make comments on the Rule Change;
 - (b) upon request, make such comments available to Participants unless the commenter has requested otherwise;
 - (c) give due consideration to such comments before adopting the Rule Change; and
 - (d) notify the Participants of any material amendment to the Rule Change which it makes in the light of such comments.
5. The Corporation shall not be required to follow the procedures set out in paragraphs 2 and 3 above (the "**Consultation Procedures**") in the case of a Rule Change which:
 - (a) is required to comply with the law or the Corporation's obligations under or pursuant to the Act;
 - (b) is required to comply with the rules or procedures of an Approved Entity or Relevant Securities Depository and where the Corporation believes the

prompt implementation of such Rule Change is necessary to prevent the disruption of normal business operations or prompt and accurate settlement of securities transactions; provided, however, if the proposed Rule Change will have a material impact on Participants who do not use (or clear for users of) the Approved Entity or Relevant Securities Depository concerned, then the Corporation shall follow the Consultation Procedures before effecting such Rule Change;

- (c) relates solely to the provision of services to Participants with respect to an Approved Entity newly designated as such by the Corporation;
- (d) in the Corporation's opinion is needed as a matter of urgency to protect the interest of the Corporation or its Participants;
- (e) relates to a Procedure to be adopted under Section 3 (Calculation of Margin Amount) or Section 6 (Guarantee Fund) of Rule 4 insofar as the Corporation deems such Rule Change necessary or appropriate for the adequate protection of the Corporation and its Participants; or
- (f) in the Corporation's opinion will not materially affect the rights and obligations of Participants.

but:

- (i) the Corporation shall notify Participants as soon as practicable that it intends to make the Rule Change specified, and in any event before the Rule Change specified comes into effect; and
 - (ii) any Rule Change made in accordance with subparagraph (d) above shall cease to have effect at the end of such period (not exceeding six months) as shall be specified in the notice referred to in (i) above, unless prior to the end of such period the Rule Change is confirmed by the Corporation after following the Consultation Procedures.
6. Any Rule Change to which Section 300B of the Act applies shall not be made unless and until permitted by Section 300C or 200D of the Act (as the case may be).

RULE 20 - FINANCIAL REPORTS

As soon as practicable after the end of each calendar year, the Corporation shall provide to each Participant financial statements of the Corporation audited and covered by a report prepared by its Auditors for such calendar year.

RULE 21 – ENFORCEMENT OF THE RULES AND DISCIPLINE**1 SECTION 1: ASSURANCES FROM PARTICIPANTS**

If the Corporation has reason to believe that a Participant may fail to comply with any of these Rules, the Corporation may require the Participant to provide it, within such timeframe, in such detail and in such manner as the Corporation shall determine, with written assurances to the satisfaction of the Corporation that the Participant will comply with the Rules.

2 SECTION 2: IMPOSITION OF DISCIPLINARY SANCTIONS

2.1 Where the Corporation considers that a Participant has committed an act of misconduct, it may impose disciplinary sanctions.

2.2 The provisions of this Rule 21 are without prejudice to the Corporation's immediate right to suspend the participation of a Participant, or to cease to act for a Participant, pursuant to Rule 11 or to take any of the actions set out in Rule 12.

3 SECTION 3: ACTS OF MISCONDUCT

3.1 An act of misconduct (a "**Breach**") is:

- (a) a breach of these Rules;
- (b) a breach of a Participant's Agreement with the Corporation; or
- (c) any error, delay or other conduct detrimental to the activities, functions and operations of the Corporation, including, but not limited to, failure to provide adequate facilities for a Participant's business with the Corporation.

3.2 The seriousness of Breaches may vary widely, from the simple and easily rectified to major incidents or systematic failings involving substantial disadvantage or Loss to the Corporation, Participants and others.

3.3 Recognising that each case has its own particular features, the factors which the Corporation will take into account in assessing the seriousness of a Breach will include:

- (a) the extent of actual or potential harm to the Corporation, Participants and others;
- (b) whether the problem was isolated or systemic;
- (c) whether the Breach was inadvertent, or represented a knowing act of commission or omission;
- (d) the length of time over which the Breach continued undetected or without effective remedial action being taken;
- (e) whether there were any warning signals and what heed was paid to such signals;

- (f) the extent of damage to confidence in, or the reputation of, the Corporation at large; and
- (g) the extent to which the Participant sought to profit, or to avoid or mitigate a Loss, by its acts or omissions.

4 SECTION 4: DISCIPLINARY SANCTIONS

4.1 The purposes of disciplinary sanctions for Breaches are:

- (a) to act as a deterrent against future Breaches by the Participant being disciplined and/or other Participants;
- (b) to engender confidence in the Corporation by demonstrating that Participants cannot indulge in dishonest, unfair, unreasonable, negligent or incompetent conduct with impunity;
- (c) to help prevent Participants from profiting from Breaches whether by acts of commission or acts of omission, such as failure to upgrade systems and procedures to ensure compliance with these Rules; and
- (d) to exclude Participants who demonstrate unwillingness or serious inability to comply with these Rules.

4.2 The sanctions available to the Corporation where a Participant is found to have committed a Breach are as follows:

- (a) the issue of directions as to future conduct;
- (b) the issue of recommendations on the remedy of past conduct;
- (c) the issue of a warning or reprimand;
- (d) the imposition of a fine or other financial penalty;
- (e) the suspension of a Participant's participation;
- (f) ceasing to act for a Participant; or
- (g) the imposition of limitations or restrictions upon the Participant's activities, functions and operations in relation to the Corporation or other appropriate sanction.

4.3 In determining the level of any sanction the Corporation will, inter alia, take into account:

- (a) the seriousness of the Breach;
- (b) any evidence of repeated or regular Breaches;
- (c) accumulation of complaints against the Participant;

(d) the degree of co-operation with the Corporation by the Participant in connection with the identification and rectification of the Breach; and

(e) relevant precedent, although the Corporation will not be bound by precedent.

4.4 Without prejudice to any other available sanctions, the Corporation may by issuing a Disciplinary Notice in accordance with Section 7 of this Rule impose a summary fine, of an amount determined in accordance with Appendix 1 on a Participant which fails (or whose guarantor, if applicable, fails) to comply with any obligations of the kinds specified in that Appendix.

5 SECTION 5: INITIAL INVESTIGATION

5.1 The Corporation may carry out an initial investigation into any Breach which is alleged or suspected of having been committed by a Participant.

5.2 The Corporation may, at its reasonable discretion, request the appointment by the Participant, or itself appoint, accountants or other relevant professionals to assist in an investigation. Any fee in respect of such appointment shall be paid for by the Participant.

5.3 As part of its investigation the Corporation may make enquiries, seeking clarification if necessary from the Participant concerned and from any other persons it considers necessary (including, where relevant, any person whose complaint has prompted the investigation).

5.4 While carrying out its investigations and enquiries into the alleged or suspected Breach under this Section, the Corporation will keep confidential the identity of the Participant concerned, save to the extent that it is necessary or desirable in its opinion not to do so.

5.5 The Corporation will ensure that, before it concludes an investigation, any Participant who is the subject of the investigation is given notice of, and the opportunity to respond in an appropriate manner to, that investigation, provided that this shall not be required if the Corporation has concluded that no Breach has arisen.

6 SECTION 6: SOURCES OF INFORMATION

6.1 Information may reach the Corporation from sources including formal compliance monitoring activities, complaints from other Participants or Participant employee "whistle blowing", or complaints from third parties.

6.2 The Corporation may choose, if so requested and it deems appropriate, to keep confidential, the identity of any person who refers a matter for investigation to the Corporation.

6.3 The Corporation shall not be obliged to investigate any allegation of a Breach which it considers to be fictitious, vexatious or frivolous.

7 SECTION 7: DISCIPLINARY NOTICE

7.1 If having investigated into any alleged or suspected Breach, the Corporation determines that a Participant has committed a Breach and that disciplinary sanctions be imposed on that Participant, then the Corporation shall serve on the Participant a notice (a "**Disciplinary Notice**") setting out:

- (a) the Breach or Breaches;
- (b) a summary of the facts relied upon;
- (c) the disciplinary sanctions the Corporation is imposing and the reasons for imposing such sanctions; and
- (d) the right of the Participant to a hearing pursuant to Rule 22.

7.2 A Participant upon whom a Disciplinary Notice is served shall be deemed to have accepted the disciplinary sanctions set out in that Disciplinary Notice, and such disciplinary sanctions shall be deemed to have become effective, upon the expiry of the applicable time period provided for in these Rules for the filing by that Participant of a Written Request for a hearing or a Written Statement pursuant to Section 1 of Rule 22 unless that Participant shall have so filed such a request or statement in accordance with the provisions of Section 1 of Rule 22 prior thereto.

8 SECTION 8: FINANCIAL PENALTIES

The Corporation shall apply any amounts paid to it as a result of the imposition of fines or other financial penalties on Participants only in one or more of the following ways in accordance with the policy of the Corporation from time to time:

- (a) towards meeting expenses incurred by the Corporation in the course of the investigation of the Breach in respect of which the fine or financial penalty is paid, or in the course of any appeal against the decision of the Corporation in relation to that Breach; or
- (b) for the benefit of the users of the facilities and services which the Corporation provides in the course of carrying on its Regulatory Functions.

9 SECTION 9: FORMER PARTICIPANTS

The Corporation may institute disciplinary sanctions under this Rule on a former Participant for a period of one year after that former Participant's resignation from participation was accepted by the Corporation or the termination of that former Participant's participation. In this Rule, "Participant" includes a former Participant for such cases.

RULE 22 – APPEALS PROCEDURE**1. SECTION 1: RIGHT TO REQUEST A HEARING**

1.1 These Rules permit a Participant or an Applicant (in either case the "**Interested Person**") to request a hearing in relation to action taken by the Corporation against the Interested Person in the following situations:

- (a) where the Corporation has decided to reject an application to become a Participant under Section 5 of Rule 2;
- (b) where the Corporation has ceased to act for a Participant (whether temporarily or otherwise) pursuant to Rule 11; and
- (c) where the Corporation has decided to impose disciplinary sanctions on a Participant and has served on that Participant a Disciplinary Notice pursuant to Rule 21;

provided that, for the avoidance of doubt, nothing in this Rule 22 shall prejudice the Corporation's right to suspend or to cease to act for a Participant in accordance with Rules 11 and 12.

1.2 To request a hearing the Interested Person must:

- (a) file with the Secretary of the Corporation a Written Request (the "**Written Request**") for a hearing setting out:
 - (i) the action or proposed action of the Corporation with respect to which the hearing is requested; and
 - (ii) the name of the representative of the Interested Person who may be contacted with respect to the hearing; and
- (b) submit to the Corporation a clear and concise Written Statement (the "**Written Statement**") setting out with particularity:
 - (i) the action or proposed action of the Corporation with respect to which the hearing is requested;
 - (ii) the basis for objection to such action;
 - (iii) whether the Interested Person intends to attend the hearing;
 - (iv) whether the Interested Person chooses to be represented by counsel at the hearing; and
 - (v) whether the Interested Person chooses to call witnesses at the hearing.

1.3 If the Written Statement contests the Corporation's determination that the Interested Person has violated a Rule or a Procedure, the statement must specifically admit or deny each violation alleged and detail the reasons why the Rules or Procedures

alleged to have been violated are being contested. Any alleged violation not specifically denied shall constitute an admission to that violation. The Corporation may reject the Written Statement if it fails to set forth a prima facie basis for contesting the violation.

- 1.4 The Written Request must be filed and the Written Statement must be submitted within the following time periods:
 - (a) in a case within Section 1.1(b), the Written Request must be filed within 2 Business Days of the Interested Person being notified by the Corporation of the action and the Written Statement must be submitted 3 Business Days after filing the Written Request; and
 - (b) in any other case, the Written Request must be filed within 5 Business Days of the Interested Person being notified by the Corporation of the action and the Written Statement must be submitted 7 Business Days after such filing.
- 1.5 An Interested Person will be deemed to have waived its right to a hearing if it fails to file a Written Request or to submit a Written Statement within the applicable time period.
- 1.6 The Corporation may designate as "**Minor Rule Violations**" categories of Breach for which a fine may be assessed as the disciplinary sanction in an amount not exceeding Euro 5,000.
- 1.7 If an Interested Person files a Written Request disputing the imposition of a fine, the Corporation shall automatically conduct a review of the disputed fine. The Corporation may examine the Written Statement and/or arrange a meeting with the Interested Person to discuss the disputed action. If the Corporation determines not to waive the proposed fine as a result of the review process, the Interested Person shall be entitled to a hearing pursuant to the remaining Sections of this Rule 22, as applicable. The Corporation shall advise the Interested Person of the result of the review process.

2. **SECTION 2: NOTIFICATION**

- 2.1 The Corporation shall notify the Interested Person in writing of the date, place and hour of the hearing at least 5 Business Days prior to the hearing (unless the parties agree to waive the 5 Business Day requirement).
- 2.2 The hearing shall be held as promptly as practicable after the submission of the relevant Written Statement.

3. **SECTION 3: COMPOSITION OF PANEL**

- 3.1 The hearing shall be before a panel (the "**Panel**") composed as set out in this Section.
- 3.2 Hearings relating to Minor Rule Violations shall be held before a Panel comprised of three Nominated Officers of the Corporation selected by the Chairman of the Board.

3.3 Unless the parties agree otherwise, for all other hearings the Panel shall be selected by the Chairman of the Board from a pool of Persons (the “**Pool**”) comprising:

- (a) the members of the Board;
- (b) other persons of appropriate seniority and experience who are employed by, or partners of, Participants.

The members of the Pool mentioned in (b) shall be appointed by the Board or the Chairman of the Board.

3.4 The Panel shall be comprised of:

- (a) one Pool member for hearings relating to matters involving fines of Euro 10,000 or less; and
- (b) three Pool members for hearings other than those specified in (a) above.

3.5 The Panel shall not include any individual:

- (a) who was involved:
 - (i) in the case of an application to become a Participant, in any assessment by the Corporation into the Applicant's financial responsibility and operational capability; or
 - (ii) in the case of the imposition of disciplinary sanctions on a Participant, in any investigation by the Corporation into the Breach concerned;
- (b) who either alone or jointly with others (including by reason of being a member of the relevant body of the Corporation) made the decision on behalf of the Corporation to take the action or proposed action with respect to which the hearing is requested; or
- (c) where that individual's participation gives rise to a real danger of a conflict of interest or bias.

4. **SECTION 4: HEARING PROCEDURE**

4.1 The hearing shall:

- (a) be held in private; and
- (b) take place in London,

unless the parties agree otherwise.

4.2 A record shall be kept of the meeting.

4.3 At the hearing, the Interested Person shall be afforded an opportunity to be heard and may be represented by counsel.

- 4.4 Both the Interested Person and the Corporation may cross-examine witnesses on the basis of their witness statements, if permitted by the Panel and consistent with dealing with the case justly, fairly and proportionately.
- 4.5 The Panel shall not be bound by considerations concerning the admissibility of evidence that would apply in a court of law, but will be bound by the rules of natural justice and the principles of Article 6 of the European Convention on Human Rights and Fundamental Freedoms.
- 4.6 The evidential test shall be that of civil law (balance of probabilities) rather than that of criminal law (beyond reasonable doubt). However, the more serious the allegation the stronger the evidence required to prove it.
- 4.7 Following full consideration of the matter (at more than one meeting as necessary) the Panel may confirm, vary or set aside the decision of the Corporation (including confirming the decision of the Corporation as to the gravity of the Breach but changing the sanction imposed).
- 4.8 The Interested Person and the Corporation will bear their own costs in respect of the hearing.
- 4.9 The fees and costs of the hearing shall be paid by the parties in such sums and at such time as the Panel thinks reasonable and proportionate.
- 4.10 The Panel shall have the power to make rules for any procedures that are not provided for by this Rule.

5. **SECTION 5: DECISIONS**

- 5.1 The Panel shall make its decision and advise the Interested Person in writing of that decision (the "**Decision Notice**") within 10 Business Days after the conclusion of the hearing.
- 5.2 If the decision of the Panel is adverse (either in whole or in part) to the Interested Person, the Decision Notice shall set out:
 - (a) in the case of an application to become a Participant, the specific grounds upon which the decision is based; and
 - (b) in any other case;
 - (i) any act or practice in which the Interested Person has been found to have engaged, or which the Interested Person has been found to have omitted;
 - (ii) the specific provisions of these Rules or of the applicable agreements with the Corporation which any such act or practice or omission to act has been deemed to violate; and
 - (iii) the sanction imposed and the reasons therefor.

6. **SECTION 6: APPEALS HEARING**

6.1 If the decision of the Panel is adverse (either in whole or in part) to the Interested Person, the Interested Person may request an appeals hearing.

6.2 To request an appeals hearing the Interested Person must file with the Corporation, within 5 Business Days of service of the Decision Notice, a Written Request for an appeals hearing.

6.3 The appeals hearing will be before an appeals panel (the "**Appeals Panel**") composed in accordance with the following Sections of this Rule.

6.4 In the case of an appeal of a decision relating to a Minor Rules Violation, the Appeals Panel shall comprise three individuals selected by the Chairman of the Board, such individuals to be:

- (a) of appropriate seniority and with appropriate knowledge of securities settlement systems; and
- (b) independent of the Corporation and of the Interested Person, and
- (c) with no other interest likely to impede their impartiality.

6.5 In the case of any other hearing the Appeals Panel shall comprise:

- (a) a legally qualified chairman nominated by the Centre for Dispute Resolution, London ("**CEDR**");
- (b) two other members, one being selected by the Corporation and the other by the Interested Person, in each case from a list of at least four persons nominated by CEDR and having appropriate knowledge of securities settlement systems,

provided that if either the Corporation or the Interested Person fails to make a selection under (b) within 10 Business Days of a request to do so, the chairman nominated under (a) shall make that selection instead.

6.6 Subject to Section 6.5, the provisions of Sections 2.1, 2.2, 3.4, 4 and 5 of this Rule shall apply mutatis mutandis in relation to the appeals hearing and the Appeals Panel as if references therein to the hearing and the Panel were to the appeals hearing and the Appeals Panel respectively and references to the submission of the Written Statement were to the filing of the Written Request for an appeals hearing.

6.7 The Appeals Panel may not set aside a decision by the Corporation to:

- (a) reject an application to become a Participant; or
- (b) cease to act for a Participant

the Corporation shall not (without prejudice to the generality of Section 7.2) be required virtue of the Appeal Decision to accept such application or to continue to act

for the Participant (as the case may be) but shall reconsider the matter concerned within 45 days of the issue of the Decision Notice by the Appeals Panel and shall notify the members of the Appeals Panel and the Interested Party of its new decision (the "**New Decision**"). The provisions of this Rule 22 shall apply to the New Decision, provided that any hearing or appeals hearing in relation to the New Decision shall not be required to consider (i) any matter on which the Appeals Panel made a determination in the Original Appeal or (ii) any matter which the Interested Party should reasonably have raised in the context of the Original Appeal.

7. SECTION 7: FINALITY

- 7.1 The decision of the Panel or, where the Interested Person has a right to request an appeals hearing in relation to the Panel's decision and exercises that right in accordance with Section 6 of this Rule, the Appeals Panel shall be final and binding, subject to Section 6.7 and the rights of the Corporation under Rule 13.
- 7.2 Any decision to vary or set aside a decision of the Corporation shall not invalidate that decision by the Corporation or any other acts of the Corporation or its directors, officers or agents taken prior to such decision.
- 7.3 Any action or proposed action of the Corporation as to which an Interested Person has the right to request a hearing pursuant to this Rule shall be deemed final:
- (a) if the Interested Person expressly agrees to the taking of such action by the Corporation;
 - (b) upon the expiry of the applicable time period provided in these Rules for the filing by that Interested Person of a Written Request or a Written Statement pursuant to Section 1 of this Rule; or
 - (c) if a hearing has been held pursuant to this Rule, upon service by the Corporation of a Decision Notice upon the Interested Person provided the Interested Person does not request an appeals hearing within the applicable time period specified by these Rules.
- 7.4 Upon any action or proposed action of the Corporation being deemed final following a hearing held pursuant to this Rule, the Panel or, as the case may be, the Appeals Panel shall determine, at its discretion, whether or not the outcome of the hearing should be publicised and, if so, in what form and manner, taking into account all the circumstances (including the Interested Person's views on this).

8. SECTION 8: GENERAL

The Corporation may at any time establish procedures for a hearing not otherwise provided for by these Rules with respect to any action or proposed action of the Corporation.

RULE 23 - USE OF INFORMATION**1. SECTION 1: CONFIDENTIALITY**

1.1 Subject to the following Sections of this Rule, the Corporation shall treat as confidential all information concerning the business and affairs of a Participant or an Applicant (including, without limitation, Clearing Data).

1.2 The Corporation may disclose such information:

- (a) to any person having responsibility for regulating:
 - (ii) the Corporation; or
 - (iii) any market to which the Corporation provides settlement services;
- (b) to any Regulator responsible for regulating the Participant or any self-regulatory body (including a clearing agency) of which the Participant or Corporation is a member.
- (c) to any service provider to whom the Corporation properly delegates any of its functions, subject to appropriate confidentiality requirements;
- (d) (subject to Section 2) to the Participant or Applicant concerned;
- (e) to enable it to institute, carry on or defend any civil proceedings;
- (f) with the consent (and subject to such conditions or requirements) of the person from whom the information was obtained (and of the person to whom it relates, if different);
- (g) where so required by law (or by valid legal process) or in the proper course of its functions under these Rules, including providing Clearing Data to any tax authority where so required for purposes of the Corporation's clearance and settlement activities; or
- (h) in accordance with Section 5 of Rule 12.

1.3 The restrictions in this Section shall not apply to:

- (a) information which has been or is subsequently made available to the public, other than as a result of the Corporation's breach of this Rule; or
- (b) information in the form of a summary or collection of information so framed that it is not possible to ascertain from it information relating to any particular person.

2. SECTION 2: RELEASE OF CLEARING DATA

2.1 The release to a Participant of its own Clearing Data shall be subject to (i) a Written Request from the Participant, or (ii) the execution of a written agreement with the Corporation, whichever is appropriate in the Corporation's discretion. The Corporation, in its discretion, shall establish the conditions under which Clearing Data shall be released and the fees, if any, to be paid for such data.

2.2. The term "**Clearing Data**" shall mean, for the purposes of this Rule, transaction data which is received by the Corporation for inclusion in the clearance and settlement process of the Corporation or such data, reports or summaries thereof, which may be produced as a result of processing such transaction data. All Clearing Data shall be and remain the property of the Corporation.

RULE 24 - LIMITATION OF LIABILITY

1. Neither the Corporation nor any person who is, or is acting as, a director, officer, employee, consultant or agent of the Corporation (an "**Affected Person**") shall be liable in damages (whether in contract, tort, warranty, strict liability or any other legal theory) for Loss arising from any delay or anything done or omitted to be done in the discharge, or purported discharge, of the Corporation's functions as set out in these Rules.
2. Section 1 above does not apply if the Loss is directly caused by:
 - (a) an act or omission of the Corporation which is shown to have been in bad faith; or
 - (b) a failure by the Corporation to discharge its Settlement Functions in accordance with the Rules, where such failure results from the wilful default of the Corporation,and for this purpose the Corporation's "**Settlement Functions**" are the acceptance, novation, netting and settlement of trades in accordance with Rules 6, 7 and 8, but excluding (for the avoidance of doubt) the exercise of any right or the discharge of any function under Rules 4, 10, 11, 12 or 16.
3. Without prejudice to the foregoing provisions of this Rule, the Corporation shall not be liable for any Loss suffered by a Participant:
 - (a) by reason of any Market Disruption Event (as specified in Rule 9), or by reason of any action taken by the Corporation pursuant to that Rule;
 - (b) by reason of any act or omission of any Approved Entity or of any Relevant Securities Depository or other Settlement Entity; or
 - (c) by reason of any dispute with any other person or with an Approved Entity as to the existence, validity or terms of a trade reported to the Corporation.
4. Under no circumstances shall the Corporation or any Affected Person be liable for any indirect or consequential, incidental, special, punitive or exemplary loss or damage (including but not limited to, loss of business, loss of profits, trading losses, loss of opportunity and loss of use) howsoever suffered or incurred, regardless of whether the Corporation has been advised of the possibility of such damages or whether such damages otherwise could have been foreseen or prevented.
5. Notwithstanding any affiliation between the Corporation and any other entity, including another central counterparty, securities depository, or other clearing agency, except as otherwise expressly provided by written agreement between the Corporation and such other entity:
 - (a) the Corporation shall not be liable for any obligations of such other entity nor shall the Guarantee Fund or other assets of the Corporation be available to

such other entity (or any person claiming through such other entity) for any purpose, and no Participant shall assert against the Corporation any claim based upon any obligations of any other entity to such Participant; and

- (b) such other entity shall not be liable for any obligations of the Corporation, nor shall any fund or any other assets of such other entity be available to the Corporation (or any person claiming through the Corporation) for any purpose, and no Participant shall assert against such other entity any claim based upon any obligations of the Corporation to such Participant.
6. This Rule is without prejudice to the provisions of Section 291 of the Act.

RULE 25 – COMPLAINTS

Any person directly affected by the way in which the Corporation has performed its Regulatory Functions may bring a complaint under a Complaints Procedure established and maintained by the Corporation.

RULE 26 – LISTS TO BE MAINTAINED**1. SECTION 1: ELIGIBLE INSTRUMENTS**

- 1.1 The Corporation shall maintain a list of the instruments which may be the subject of contracts cleared through the Corporation ("**Eligible Instruments**"), and may from time to time add instruments to such list or remove instruments therefrom. The Corporation shall accept an instrument as an Eligible Instrument only:
- (a) if it is a cash settled instrument traded on or through an Approved Entity; and
 - (b) upon a determination by the Corporation that it has the existing operational capability to do so and to continue successfully to provide its services to Participants.
- 1.2 Without prejudice to its general right to remove instruments from the list referred to in Section 1.1 the Corporation may determine that an Eligible Instrument shall cease to be an Eligible Instrument, either generally or with respect to any designated currency, in the event that:
- (a) the Corporation finds that the level of activity in the instrument during the period of three consecutive months preceding that determination is insufficient to produce benefits commensurate with the costs to the Participants arising from its continued inclusion as an Eligible Instrument;
 - (b) the Corporation determines that there may exist a legal impediment to the validity or legality of the issuance or continued transfer or delivery of the instrument;
 - (c) the Corporation determines, after discussion with the appropriate regulators, where practicable, that continued clearance and settlement by the Corporation presents unacceptable risks to the Corporation and/or its Participants;
 - (d) the Corporation is required by law to suspend the transfer or delivery of the instrument concerned;
 - (e) the instrument concerned is suspended from trading on any market and the Corporation determines that as a result of such suspension, the continued clearance and settlement by the Corporation of the instrument presents unacceptable risks to the Corporation and/or its Participants;
 - (f) the relevant Settlement Entity no longer performs settlement for the instrument concerned or the instrument is no longer deliverable through the Relevant Securities Depository; or
 - (g) in the judgement of the Corporation, Participants may lose significant rights by reason of the instrument's continued status as an Eligible Instrument.

1.3 Where the Corporation resolves to remove an instrument from the list referred to in Section 1.1:

- (a) if the circumstances in Section 1.2(b), (d), (f) or (g) apply or in any other circumstances where the financial position of the Corporation may be adversely affected by continued processing of such instrument, the provisions of Section 9 or 10 (as applicable) of Rule 7 shall apply;
- (b) in any other case, transactions in such instrument which were accepted by the Corporation prior to such determination shall continue to be processed and shall be deemed to be transactions in Eligible Instruments.

2. SECTION 2: NON-CLEARING FIRMS; ACCOUNT DESIGNATIONS; APPROVED FACILITIES

2.1 The Corporation shall maintain a list of all Non-Clearing Firms on whose behalf Participants have indicated they will act in clearing and settling transactions in Eligible Instruments with respect to one or more Acceptable Currencies.

2.2 The Corporation shall maintain a list of all accounts established by Participants, and the designation of each as either a Netting or Non-Netting Account, and which of such accounts are designated as Client Accounts.

2.3 The Corporation shall maintain a list of all Approved Facilities through which Participants have authorised the Corporation to accept transaction data on their behalf.

2.4 Participants shall provide the Corporation with the foregoing information, in accordance with Procedures adopted from time to time by the Corporation, or pursuant to agreement.

3. SECTION 3: ACCEPTABLE CURRENCIES

The Corporation shall maintain a list of all Acceptable Currencies:

- (a) in which deposits of Margin Amounts and Contributions to the Guarantee Fund may be made (including the currency of issue and denomination of Eligible Government Securities); and/or
- (b) in which it will accept transactions in Eligible Instruments for processing pursuant to these Rules.

4. SECTION 4: APPROVED LETTER OF CREDIT ISSUERS

The Corporation shall maintain a list of Approved Letter of Credit Issuers.

RULE 27 – ADMINISTRATIVE AND OTHER MATTERS**1. SECTION 1: PAYMENTS TO THE CORPORATION**

- 1.1 On each date on which a Participant is required to pay an amount to the Corporation under these Rules, the Procedures and/or the Participant Obligations, the Participant shall pay such amount to the Corporation in immediately available funds for value on the due date not later than 10.00 a.m. or such other time as the Corporation may specify as being the customary time for settlement of transactions in the relevant currency in the place of payment.
- 1.2 Unless otherwise instructed by the Corporation, payment shall be made to such account of the Corporation in the principal financial centre of the country of that currency (or, in relation to Euros, in London or a principal financial centre in a participating Member State) with such bank or depository institution as the Corporation specifies.
- 1.3 Each Participant shall, if so required by the Corporation, make arrangements in the Prescribed Form to enable the Corporation to make direct debits to the account of the Participant at a financial institution approved for this purpose by the Corporation in respect of any sums payable by the Participant to the Corporation pursuant to these Rules.

2. SECTION 2: DEFAULT INTEREST

- 2.1 If a Participant fails to pay any amount payable to the Corporation under these Rules, the Procedures and/or the Participant Obligations on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgement) at a rate 1 per cent higher than the rate determined by the Corporation to be its effective cost of funds if the overdue amount had, during the period of non-payment, constituted a loan in the currency of the overdue amount. Any interest accruing under this Section 2.1 shall be immediately payable by the Participant on demand to the Corporation.
- 2.2 Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at such intervals as the Corporation may select but will remain immediately due and payable.
- 2.3 The assessment of Default Interest on any overdue payment may be in addition to (and shall not prejudice the Corporation's right to levy) any fine or other disciplinary sanction on the Participant pursuant to Rule 21.

3. SECTION 3: CURRENCY INDEMNITY

- 3.1 If any sum due from a Participant to the Corporation under these Rules, the Procedures and/or the Participant Obligations, or any order, judgement or award given or made in relation to any sum, has to be converted from the currency (the "**First Currency**") in which that sum is payable into another currency (the "**Second Currency**") for the purpose of (i) making or filing a claim or proof against the

Participant, or (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings, the Participant shall, as an independent obligation on demand by the Corporation, indemnify the Corporation against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (i) the rate of exchange used to convert that sum from the First Currency into the Second Currency and (ii) the rate or rates of exchange available to the Corporation at the time of its receipt of that sum.

- 3.2 Each Participant waives any right it may have in any jurisdiction to pay any amount under these Rules, the Procedures and/or any Participant Obligations in a currency or currency unit other than that in which it is expressed to be payable.

4. **SECTION 4: OTHER INDEMNITIES**

- 4.1 Without prejudice to all other rights and remedies available to the Corporation, a Participant (the "**Indemnifying Participant**") shall, on demand by the Corporation, indemnify the Corporation against any cost, loss or liability (including Taxes) incurred by the Corporation as a result of the following:
- (a) the occurrence of any Termination Event in relation to the Indemnifying Participant;
 - (b) a delay or failure by the Indemnifying Participant (or its Permitted Agent) in the performance of its obligations to the Corporation, including, without limitation, any delay or failure in the payment of any amount due under these Rules, the Procedures and/or the Participant Obligations on its due date, including any Margin Amount, Contribution, or loss share payable under Rule 4 and including any additional amounts which the Corporation is obliged to pay under section 6.3 of this Rule 27 (or would be obliged to pay but for the proviso to section 6.3 of Rule 27);
 - (c) investigating any event which it reasonably believes is or may become a Termination Event;
 - (d) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised by or on behalf of the Indemnifying Participant;
 - (e) investigating, defending and or paying any claim brought against the Corporation (notwithstanding the provisions of Section 1.3 of Rule 2) by the Indemnifying Participant's Permitted Agent or any person for whom the Participant has cleared or agreed to clear transactions; and
 - (f) investigating, defending and/or paying any claim brought against the Corporation by any other Participant or third party, directly or indirectly as a result of:

- (i) any breach by the Indemnifying Participant (or its Permitted Agent) of its obligations under these Rules, the Procedures and/or the Participant Obligations;
- (ii) the Corporation's complying with any court order or other legal or regulatory process in any action brought by or with respect to the indemnifying Participant; or
- (iii) the Corporation's proper provision of its services to the Indemnifying Participant.

4.2 Each Participant shall also indemnify the Corporation on demand against all Relevant Stamp Tax, and all other stamp duty, registration and other similar Tax and all court, notarial and other fees payable in connection with the execution, delivery or performance of any Participant Obligations entered into by such Participant (or its Permitted Agent) with the Corporation or for the purpose of enforcing these Rules, the Procedures and/or such Participant Obligations in relation to such Participant or obtaining any judgment against it or enforcing any such judgment.

5. **SECTION 5: ENFORCEMENT COSTS**

A Participant shall, on demand by the Corporation, pay to the Corporation the amount of all costs and expenses (including professional fees and disbursements) incurred by the Corporation in connection with the enforcement of, or the preservation of any rights under, these Rules, the Procedures and/or the Participant Obligations.

6. **SECTION 6: NO DEDUCTIONS FROM PAYMENTS**

6.1 All payments to be made by a Participant to the Corporation under these Rules, the Procedures and/or the Participant Obligations shall be calculated and made without any set-off or counterclaim and free from any Tax Deduction unless a Tax Deduction is required by law.

6.2 If any Tax Deduction is required by law to be made by or on behalf of a Participant, it will:

- (a) promptly upon becoming aware of the requirement, notify the Corporation of the amount of the Tax Deduction;
- (b) pay the Tax Deduction and any payment required in connection with it to the relevant taxing authority within the time allowed and in the minimum amount required by law;
- (c) deliver to the Corporation evidence reasonably satisfactory to the Corporation that the Tax Deduction has been made or (as applicable) an appropriate payment has been made to the relevant taxing authority; and

- (d) pay to the Corporation the additional amount necessary to ensure that the Corporation receives and retains the full amount of the relevant payment as if such Tax Deduction had not been made.
- 6.3 Subject to Section 16 of Rule 7 and any Procedures made in accordance with that Rule, all amounts payable by the Corporation to a Participant in respect of an Accepted Trade or Corporate Right shall be paid without any Tax Deduction unless a Tax Deduction is required by law, or has been made in respect of the payment of the Corporate Right to the Corporation. In either of these events the Corporation shall:
- (a) promptly upon becoming aware of the requirement, notify the Participant of the amount of the Tax Deduction;
 - (b) pay the Tax Deduction and any payment required in connection with it to the relevant taxing authority within the time allowed and in the minimum amount required by law (or so far as it is reasonably able to do so, procure that the Tax Deduction and/or such amount is paid);
 - (c) subject to any restrictions under Rule 23 and the Corporation having such evidence in its possession, deliver to the Participant reasonable evidence that the Tax Deduction has been made or (as applicable) an appropriate payment has been made to the relevant taxing authority; and
 - (d) pay to the Participant the additional amount necessary to ensure that the Participant receives and retains the full amount of the relevant payment as if such Tax Deduction had not been made, provided however that, the Corporation shall only be under an obligation to pay such additional amount to the extent that the Corporation has recovered the amount payable by it from a Participant in respect of any related Accepted Trade or Corporate Right.

7. **SECTION 7: BUSINESS DAYS AND TIME**

- 7.1 Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day.
- 7.2 During any extension of the due date for payment of any principal or an unpaid sum under these Rules, the Procedures and/or any Participant Obligations, interest shall be payable on the principal at the rate payable on the original due date.
- 7.3 All references to time in these Rules, the Procedures and/or the Participant Obligations shall, unless otherwise stated, be to time in London, England.

8. **SECTION 8: CURRENCY OF ACCOUNT**

- 8.1 A payment of an amount becoming due by a Participant to the Corporation shall be made in the currency in which that amount is denominated on its due date.

- 8.2 Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- 8.3 Each payment in respect of costs, expenses or liabilities shall be made in the currency in which the costs, expenses or liabilities are incurred.
- 8.4 If a change in a currency of any country occurs, these Rules, the Procedures and/or the Participant Obligations will, to the extent the Corporation (acting reasonably) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the relevant financial market and otherwise to reflect the change in currency.

9. **SECTION 9: CURRENCY CONVERSION**

For the purpose of exercising any rights under these Rules, the Procedures and/or the Participant Obligations, the Corporation shall be entitled in its discretion to convert all or any money standing to the debit or credit of a Participant's accounts (including Client Accounts) into such other currency or currencies as it thinks appropriate, such conversion to be effected at such rate or rates of exchange as the Corporation may reasonably determine.

10. **SECTION 10: SET-OFF BY THE CORPORATION**

Without prejudice to its other rights and remedies, the Corporation may set off any matured obligation due from a Participant to the Corporation under these Rules, the Procedures and/or the Participant Obligations against any matured obligation owed by the Corporation to that Participant, regardless of the place of payment or currency of either obligation. If the obligations are in different currencies, the Corporation may convert either obligation at a market rate of exchange in its usual course of business for the purpose of effecting the set-off.

11. **SECTION 11: CALCULATIONS AND DETERMINATIONS**

- 11.1 In any proceedings arising out of or in connection with these Rules, the Procedures and/or the Participant Obligations, the entries made in the accounts maintained by the Corporation for a Participant (including any Client Accounts) will be *prima facie* evidence of the matters to which they relate.
- 11.2 Any certification or determination by the Corporation of a rate or amount under these Rules, the Procedures and/or the Participant Obligations shall, in the absence of manifest error, be conclusive evidence of the matters to which it relates.

12. **SECTION 12: EXERCISE OF DISCRETIONS AND POWERS**

Any discretion, power or right conferred on the Corporation by these Rules to make or vary any determination or designation or to give any approval or to decide any matter or to form any opinion or judgment shall be construed to be a discretion, power or right exercisable by the Corporation, in its sole and unfettered discretion, at any time and from time to time. The Corporation shall exercise such discretion in a

manner designed to promote and maintain integrity, high standards and fair dealing in accordance and consistent with applicable laws and regulations, including the Recognition Requirements, and its role as a Recognized Clearing House under the Act.

13. **SECTION 13: DAY COUNT CONVENTION**

Any interest, commission or fee accruing under these Rules, the Procedures and/or the Participant Obligations will accrue from day to day and be calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case of Sterling or any other currency where the practice in the relevant financial market differs, in accordance with that market practice.

14. **SECTION 14: VALIDITY OF RULES**

If at any time any provision of these Rules becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of these Rules nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby; and

To the extent that (notwithstanding Section 5 of Rule 3) the provisions of Rule 24 are held to be unenforceable under the law which is applied by any court in determining a claim by any Participant against the Corporation or any Affected Person as defined therein, then the liability of the Corporation or any Affected Person (as the case may be) to such Participant shall, for the purposes of the proceedings concerned, be deemed to be limited to the fullest extent permitted by that law.

15. **SECTION 15: NON-WAIVER OF RIGHTS**

No failure by the Corporation to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under these Rules shall operate as a waiver of the Corporation's rights or remedies upon that or any subsequent occasion, nor shall any single or partial exercise of any right or remedy prevent any further exercise of it or of any other right or remedy.

16. **SECTION 16: VAT**

16.1 All amounts payable to the Corporation are stated exclusive of VAT which, if chargeable, shall be paid by the relevant Participant to the Corporation at the rate for the time being in force, against delivery by the Corporation of an appropriate tax invoice for VAT purposes.

16.2 Where a Participant is required under these Rules, the Procedures and/or the Participant Obligations to reimburse the Corporation for any costs or expenses, it shall also at the same time pay and indemnify the Corporation against all VAT incurred by the Corporation in respect of such costs or expenses, provided such VAT is not otherwise recoverable by the Corporation or the representative member of any VAT group of which the Corporation forms part, subject to the Corporation or the

representative member, as the case may be, using reasonable endeavours to recover such amount of VAT as may be practicable.

17. SECTION 17: DISCLOSURE UNDER THE SETTLEMENT FINALITY REGULATIONS

17.1 As required by the Settlement Finality Regulations, each Participant shall, upon payment of a reasonable charge, provide the information set out in Section 17.2 to any person who requests it, save where the request is frivolous or vexatious. Such information shall be provided within 14 days of the request being made.

17.2 The information referred to in Section 17.1 is as follows:

- (a) details of the systems which are designated by the EU Settlement Finality Directive in which the Participant participates;
- (b) information about the main rules governing the functioning of those systems.

18. SECTION 18: JURISDICTION

18.1 Each Participant irrevocably submits, for the Corporation's exclusive benefit, to the jurisdiction of the English court (but without prejudice to the Corporation's right to commence proceedings against any Participant in any other jurisdiction) and irrevocably waives any objection on the ground of venue or forum non conveniens or any similar grounds.

18.2 In the event that a Settlement Entity brings any action or proceeding against the Corporation in the courts of any country or jurisdiction outside England and Wales in connection with the Services, and the courts of such country or jurisdiction obtain jurisdiction over the Corporation, each Participant irrevocably submits to the jurisdiction of such courts in the event that the Corporation joins or seeks to join the Participant in such action or proceedings.

RULE 28 – NOTICES**1. SECTION 1: NOTICE TO A PARTICIPANT OR INTERESTED PERSON**

- 1.1 Any notice pursuant to these Rules (other than legal process to which Section 4 shall apply) from the Corporation to a Participant or other Interested Person (an "**Addressee**") shall be sufficiently served on such Interested Person if the notice is:
- (a) in writing, and is delivered by hand or sent by post to the Addressee's office address;
 - (b) transmitted by facsimile machine to a facsimile machine located either in the Addressee's office or elsewhere as designated by such Addressee; or
 - (c) is transmitted by e-mail or electronic mail equivalent.
- 1.2 Any notice to an Addressee, if sent by post, shall be deemed to have been given when placed in the post with postage thereon prepaid, addressed to the Interested Person at its office address. Any notice to an Addressee, if transmitted by facsimile machine as provided above, shall be deemed to have been given when such transmission is verified on the facsimile machine of the Corporation as having been transmitted. Any notice to an Addressee, if transmitted electronically, shall be deemed to have been given when such electronic transmission is made available by the Corporation.
- 1.3 The Corporation may distribute notices and make available documents and other information to Participants electronically in accordance with procedures notified to Participants from time to time. Any such notice or document made available by the Corporation electronically (including on the Corporation's website) shall be deemed delivered to and received by each Participant when made available for retrieval by the Corporation.

2. SECTION 2: NOTICE TO THE CORPORATION

- 2.1 Any notice from an Interested Person to the Corporation shall be sufficiently served on the Corporation if the notice is in writing and is delivered by hand, sent by post, or transmitted by facsimile machine to the Corporation at its principal place of business, Attention: Secretary, or such other place as it designates.
- 2.2 Any such notice to the Corporation shall be deemed to have been given when received.

3. SECTION 3: NOTICE BY THE CORPORATION OF CERTAIN ACTIONS

Any notice required to be given by the Corporation to a specific Participant pursuant to Rule 11, Rule 12 or Rule 21 shall set forth the specific grounds under consideration upon which any action taken by the Corporation pursuant to such Rule or Rules may be based and shall contain notice to the Participant of its right to request a hearing pursuant to Rule 22.

4. **SECTION 4: SERVICE OF LEGAL PROCESS**

Any claim form, judgment or other legal process shall be sufficiently served on a Participant if served by any means permitted by English law, including delivery by hand or post to the agent for the service of process appointed by the Participant and notified to the Corporation pursuant to Rule 2. A Participant shall not raise any objection to service on the grounds of any failure by such agent to notify the Participant of its receipt of the legal process concerned.

RULE 29 – LINK ARRANGEMENTS

The Corporation may establish links with one or more regulated entities providing clearance and settlement services, whether as a central counterparty or otherwise ("**Qualified Financial Institutions**") and may make available to such Qualified Financial Institutions for the benefit or on behalf of the Qualified Financial Institution's participants and members such services of the Corporation which the Corporation in its sole discretion shall determine to provide. The Corporation may enter into such agreements as it may deem appropriate with any such Qualified Financial Institution which agreement and the Rules of the Corporation, as well as the Rules, procedures and other documents of the Qualified Financial Institution shall govern link transactions between participants and members of such Qualified Financial Institutions and the Participants. The Corporation may from time to time establish procedures which shall be applicable to the operation of such links which procedures may be amended from time to time. Any such procedures shall be a part of these Rules.

APPENDIX 1

TABLE OF FINES

1. Fines for Late Payments

Net amount owed (Euro – Note 1))	First occasion	Second occasion	Third occasion	Fourth and subsequent occasions
		Euro	Euro	
50,000 or less	warning	100	200	See Note 4
more than 50,000 and less than 250,000		200	400	
250,000 or more but less than 1,000,000		300	600	
1,000,000 or more but less than 5,000,000		400	800	
5,000,000 or more		500	1,000	

NOTES

1. Or equivalent in any other currency.
2. Applies to late payment including Margin Amounts, Guarantee Fund Contributions and settlement payments.
3. The number of occasions will be determined over a moving three month period.
4. In addition to a fine, a Participant may be required to pay a Compensation Amount as provided in Section 13 of Rule 7.
5. Fines levied on the fourth and subsequent occasions in any three month period will be double the previous fine.

2. Fines for Failure to meet Obligations under the Rules other than Payment and Delivery Obligations

(a) Actions which are subject to fines

1. Failure to provide the Corporation in a timely manner with copies of reports filed with the Participant's Regulator.
2. Reversing a settlement instruction.
3. Falling below Excess Regulatory Capital requirement.
4. Termination of Settlement Arrangements without timely notification to the Corporation.
5. Failure to provide the Corporation in a timely manner with a copy of the annual audited statements of the Participant and/or, if applicable, its guarantor.
6. Failure to provide updated information promptly upon the request of Corporation.
7. Termination of appointment of agent for service of process (in the case of a non-UK Participant) (see Section 3 of Rule 2).
8. Failure to meet other notification requirements under the Rules.

(b) Amount of fine

First Occasion	Warning
Second Occasion	Euro 500
Third	Euro 1000

The number of occasions will be determined over a moving three month period. Fines levied on the fourth and subsequent occasions in any three month period will be double the previous fine.