



EquityClear Service Description

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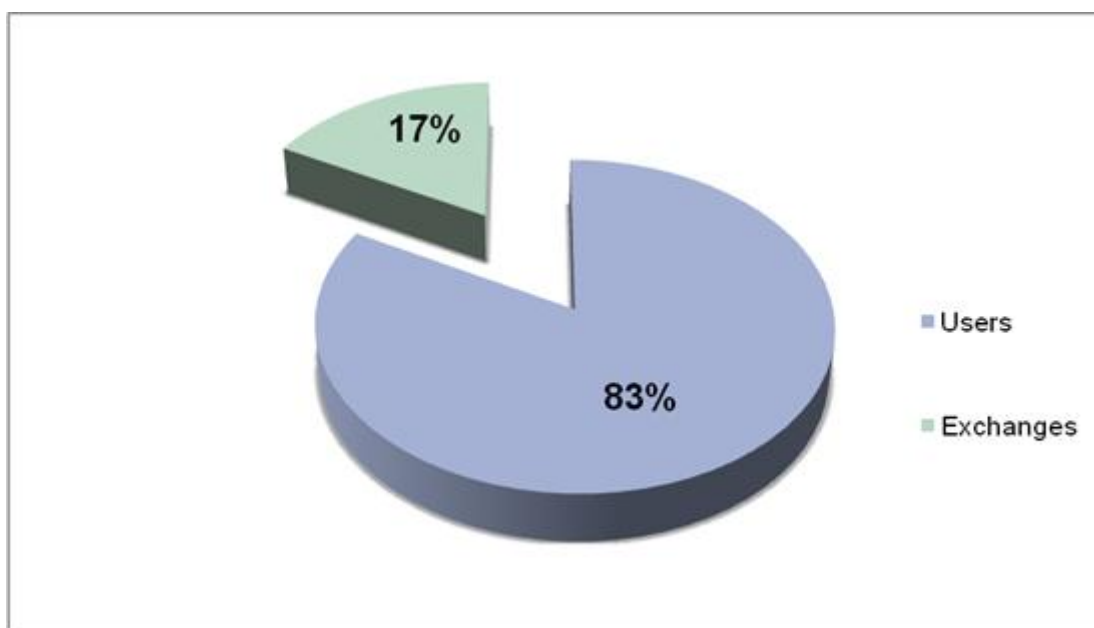
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Introduction

Who we are

LCH.Clearnet is the leading independent clearing house group, serving major international exchanges and platforms, as well as a range of OTC markets. It clears a broad range of asset classes including: securities, exchange traded derivatives, commodities, energy, freight, interest rate swaps, credit default swaps and euro and sterling denominated bonds and repos; and works closely with market participants and exchanges to identify and develop clearing services for new asset classes.

LCH.Clearnet Group Ltd is owned 83% by its clients and 17% by exchanges.



LCH.Clearnet Limited is regulated by the FSA as a Recognised Clearing House and is designated as a Derivatives Clearing Organisation in the USA.

What we provide

The fundamental benefits brought by having a CCP:

- Post trade anonymity.
- A clear risk management process through a definitive choice of contractual counterparties.
- Settlement netting to reduce settlement and operational costs.

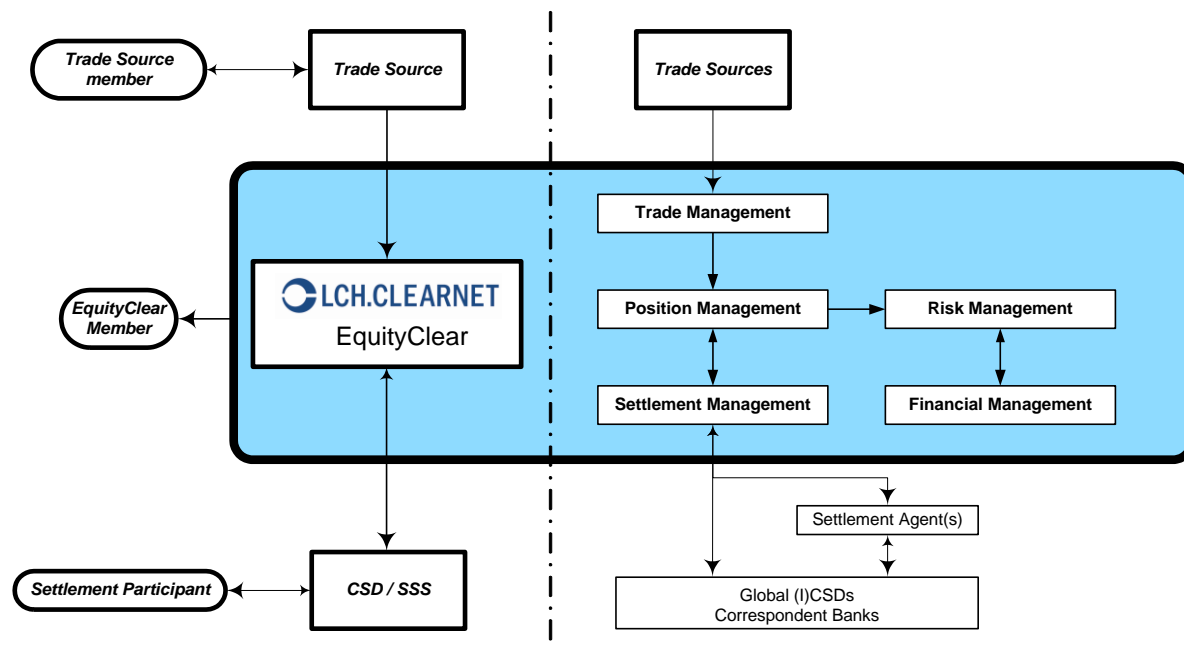
The specific benefits brought by LCH.Clearnet through its **EquityClear** service:

- An established and proven clearing service covering a broad range of global cash equities and associated products from trade sources including RIEs, MTFs, RMOs and OTC matching services on a 24x5 basis.
- A broad membership.
- Risk management of the highest quality
 - Robust and prudent risk management
 - Experience in successfully managing member defaults and near misses.
 - A margin algorithm specifically designed for the service. This strongly recognises position correlations leading to lower margins and hence greater capital efficiencies for members than other margin algorithms used in the industry.
- Flexible netting and settlement options
 - Trade date netting.
 - Four netting and aggregation options.
 - Cross trade source netting¹.
 - Optional power of attorney instruction to settlement agents.
- Comprehensive European market access to local market CSDs² achieved directly or via settlement agent relationships.
- Established and proven business operational, technical and customer support.
- User involvement in product design and governance.
- The capability and capacity for product and service innovation.

¹ Where facilitated by the external environment.

² This includes Euroclear Bank, the ICSD, for Depositary Receipts.

Service Overview



The EquityClear service comprises the following:

Trade management

Trades are received and validated to ensure they correctly identify LCH.Clearnet Ltd as the legal central counterparty. Valid trades are registered and details enriched to clear and settle each trade in line with the member's preferences.

Position management

The open principal positions between LCH.Clearnet and its members are maintained in real time as trades are registered and positions settled, and updated overnight as corporate events are applied.

Settlement management

Positions are settled on a gross³ or trade date net basis as preferred by our member, or their settlement agent. Four netting and aggregation options are offered, which can be applied on a per trade source or cross trade source basis⁴. Optional power of attorney instruction to settlement agents.

Risk management

Margin is calculated using the Equity Risk Analysis (ERA) algorithm, specifically designed for the service. Portfolio offsets are taken into account, providing accurate

³ Subject to certain market restrictions.

⁴ Where facilitated by the external environment.

position analysis and hence prudent but relatively low margins compared to less tailored methods.

Member defaults are managed by the LCH.Clearnet Risk Management department through a well-established and proven process.

Financial management

The Treasury Department manage members' cash and collateral for margin cover and payments. Cash transactions are managed through the LCH.Clearnet Ltd Protected Payments System (PPS).

Member reporting

Members can elect to receive real time confirmation messages of their trades registered for clearing.

A full suite of reports covering all the above functional areas are available from the LCH.Clearnet Ltd member reporting service.

Global reach

The service supports parallel operation in the major global time zones, operating on a 24x5 basis.

Products

EquityClear clears thousands of securities across the following product types:

- Single company equities
- Exchange Traded Funds (ETFs)
- Exchange Traded Commodities (ETCs)
- Real estate investment trusts (REITs)

All equities on the CESR 'Shares admitted to trading on EU Regulated Markets' would be eligible for clearing in terms of risk management capability. Clearing would be subject to appropriate regulatory permissions and settlement arrangements.

Participants

As a central counterparty, LCH.Clearnet becomes the buyer to the seller and the seller to the buyer for each trade it clears. The buyer and seller must each be a member of LCH.Clearnet, must be acting in a principal capacity and must be one of the two membership categories which confer Clearing Member status, namely:

- An Individual Clearing Member (ICM), which can:
 - clear trades it executes as a participant of a trade source⁵.
- A General Clearing Member (GCM), which can:
 - clear trades it executes as a participant of a trade source.
 - clear trades executed by other participants of a trade source.

EquityClear supports a membership category which does not have Clearing Member status, namely:

- A Non Clearing Member (NCM), which can:
 - execute trades as a participant of a trade source using the services of a GCM to clear such trades.

Full membership details can be found on our website at <http://www.lchclearnet.com/membership/ltd/default.asp>.

Settlement of contracts with clearing members is carried out in a Central Securities Depository (CSD) or International Central Securities Depository (ICSD). In certain circumstances cash settlement is via standard interbank payment. The clearing member can nominate the settlement participant against which LCH.Clearnet settles to be itself, the trading firm or a 3rd party settlement agent.

⁵ A Trade Source being a source of matched trades to LCH.Clearnet, including exchanges, MTFs, MROs and OTC matching services.

Position Management

The open principal positions between LCH.Clearnet and its members are maintained in real time as trades are registered and positions settled, and overnight as corporate events are applied.

Members have options as to how they segregate their positions. The following options are provided.

Member accounts

Each member can operate using one or more notional business units which are each identified by a unique 'member mnemonic'.

For each member mnemonic two sub-accounts are available, a mandatory House account, and an optional Client account. Each member mnemonic and sub-account combination is referred to as a 'member account'.

Positions are netted per member account for the purposes of margin calculation and cover. Therefore each trade and settlement must be attributable to one member account.

Trading firms & Settlement firms

The buyer and seller of each trade are given a unique identifier by the trading platform, known within EquityClear as the Trade System Participant.

In certain circumstances, including the following, settlement netting at the Trade System Participant level may be sub-optimal.

- Where a firm uses multiple trading identifiers at the trade platform but wants to net settle across them.
- Where a GCM wants to step into the settlement chain and net settle with the Clearing House across some or all of its NCMs.
- Where a 'model B' clearer wishes to net settle with the Clearing House across its 'introducing brokers'.

EquityClear allows for netting across Trade System Participants by introducing the concept of a Settlement Firm, being the participant identifier used within the settlement netting process. The EquityClear Settlement Firm should not be confused with a settlement agent who is a participant of a CSD which manages settlement. Each Trade System Participant is mapped to a Settlement Firm⁶. This mapping can be different for each Trade Source, providing flexibility to members.

The identification of the appropriate Settlement Firm associated with a trade is made on receipt of the trade. It is the Settlement Firm of a trade that is the primary identifier of the Member account through which the trade is cleared and the CSD settlement account through which it settles.

⁶ In most cases, where settlement netting is at the level of the Trade System Participant, the Settlement Firm will be set to the same value as the Trade System Participant. Members' can specify a different value if they prefer.

EquityClear maintains positions per Settlement Firm and reports these to clearing members⁷.

Corporate Actions

In order to maintain accurate member positions and risk manage accordingly, corporate action obligations must be calculated and applied when they arise. This is done within EquityClear.

⁷ To allow GCMs to pass on clearing fees to NCMs, trade volumes are reported by Trade System Participant and not by Settlement Firm.

Trade Management

EquityClear is a mature service which provides flexibility to trade sources⁸, trading firms and clearing members in processing the trades it is asked to clear as CCP.

Trade validation

LCH.Clearnet checks that it is legally obliged to clear trades received from trade sources. Trades would therefore be rejected if:

- ⦿ The security has not been agreed to be cleared by LCH.Clearnet.
- ⦿ A trade participant does not have clearing arrangements in place.

In both cases the trade source should not have sent the trade to LCH.Clearnet for clearing.

Trades received may fail initial validation for a range of technical, syntactical, logical or operational reasons. All such cases will be investigated and sought to be resolved as soon as possible on trade day, working internally and with the trade source and members as necessary.

Trade correction

Where a trade source has sent an invalid trade for clearing it can send a trade cancellation on trade day and the trade will be removed from clearing.

Where a trading firm wishes to correct a trade, say a 'fat finger problem', the trade source will manage the request as allowed by its rules. If agreement is reached the trade source can send a contra on trade day being an opposite trade to the original. This is cleared as a new trade, with the trade reference to the original trade reported by EquityClear if provided by the trade source on the contra instruction⁹.

Trade enrichment

The obligations arising from each trade must be:

- ⦿ cleared through a specific member account; and
- ⦿ settled in a specific account in the appropriate CSD and a specific bank cash account where required.

EquityClear allows clearing members to define which accounts to use.

⁸ A separate document is available to trade sources interested in connecting to the EquityClear service. This provides details of the business and technical interface.

⁹ In some cases trade corrections are processed as cancellations.

Member account

Each trade to be cleared is identified as having a dealing capacity of principal or agency and optionally identified with a clearing sub-account¹⁰.

Members define through reference data the margin account through which each trade is to be cleared. It is defined for each combination of:

- Trade source
- Settlement firm
- Dealing capacity
- Sub-account (optional)

The following table shows examples of the choices that can be made.

Trade Source	Settlement Firm	Dealing Capacity	Sub-account	Member mnemonic	Sub-account
XXXX	BIC12345	Principal (P)		MMA	House (H)
XXXX	BIC12345	Agency (A)		MMA	Client (C)
XEEE	BIC98765	Principal (P)	House (H)	MMA	House (H)
XEEE	BIC98765	Principal (P)	Client (C)	MMA	Client (C)
XEEE	BIC98765	Agency (A)	House (H)	MMB	Client (C)
XEEE	BIC98765	Agency (A)	Client (C)	MMB	Client (C)

The first two rows show the case where no sub-account is provided on trades and the rest where it is provided. It can be seen in the fifth row that the sub-account defined by the member is different from the one provided on the trade. This caters for the situation where an NCM may incorrectly mark a trade to be cleared through the house clearing account whilst the GCM wants all the NCM's business cleared through their client clearing account. In this way the GCM can auto-correct the NCM's mistake.

Settlement account

Members have flexibility to define their settlement preferences (see section 'Settlement Details').

UK Stamp Duty Reserve Tax (SDRT) & Irish Stamp Duty

Members when acting in their clearing role are exempt from stamp taxes. This is through secondary legislation in the UK and primary legislation in Ireland.

The responsibility for properly accounting for stamp taxes by market participants is unchanged by LCH.Clearnet clearing trades.

¹⁰ In general the clearing account is not identified on the trade message. This may be because the trade source does not provide the facility to do so or the Trading Participant chooses not to provide it.

Risk Management

The Clearing House provides robust and prudent risk management in order to meet its overriding objective to provide Clearing Members with a central counterparty of the highest quality and to safeguard the interests of the company's shareholders and contributors to its Clearing Funds.

LCH.Clearnet Ltd is a CCP of long standing with an extensive record of successful risk management. To support members and interested parties detailed presentations on the following topics can be found on our website at

http://www.lchclearnet.com/risk_management/ltd/overview/default.asp.

- LCH.Clearnet – General Introduction to Risk Mitigation
- Risk Management compared to External Standards
- Default Protections
- Default Fund
- LCH.Clearnet – Default History
- Clearing Members
- Initial Margin
- Variation Margin

Margin Calculation

EquityClear uses the Equity Risk Analysis (ERA[®]) algorithm for the calculation of initial and variation margin. ERA was specifically designed for this service to significantly recognise portfolio offsets across EquityClear positions, thereby keeping margin requirements low compared to other methods, whilst meeting the necessary level of Risk Management prudence¹¹.

Full details of the ERA algorithm are provided in a separate document, the ERA Technical Information Pack (TIP). This includes an overview of margin terminology and the algorithm, full calculation details and worked examples including full test data.

At the end of each trading day a margin calculation is made, the results of which are integrated into the margin requirements for each member account across all LCH.Clearnet product services.

A mid-day margin calculation is made and where there is insufficient cover an intra-day margin call will be made.

Further intra-day margin runs are made regularly and the facility for ad-hoc calculation due to exceptional circumstances is available to the Risk Management department. Additional margin calls can be made based on these calculations but they are not a frequent occurrence.

¹¹ LCH.Clearnet Ltd has a stated aim that its risk management should be best practice. It reviews its risk management against the following external standards: European Association of Central Counterparty Clearing Houses (EACH) standards of risk management control; the CPSS-IOSCO Recommendations for Central Counterparties.

This same process is run separately for each major time zone, the timings being in respect of the nominal local time for the region.

LCH.Clearnet publishes its margin parameters. Current and historical data can be found on our website at http://www.lchclearnet.com/data_downloads/ltd/era.asp. Members can use these to replicate the ERA calculations either on live positions or on portfolios they may wish to test. Separate parameter sets will be published for each regional time zone.

Margin Cover & Payments

Margin requirements can be covered by cash in a broad range of currencies and a range of other collateral.

LCH.Clearnet Ltd operates a direct debit system, known as the Protected Payments System (PPS), for the transfer of funds to and from clearing members. A clearing member is required to maintain a PPS bank account in London in GBP and others as required. Further details can be found on our website at http://www.lchclearnet.com/risk_management/ltd/pps/default.asp.

For trading in the Asia Pacific time zone the London PPS process will continue to operate. However, where intra-day margin cover is required outside the London PPS time window, members will be required to make payment in US dollars directly to an LCH.Clearnet account in Hong Kong within one hour of instruction by LCH.Clearnet Treasury staff. Details of the arrangements are described in Section 3 (Financial Transactions) of the LCH.Clearnet procedures which can be found on our website at http://www.lchclearnet.com/rules_and_regulations/ltd/default.asp.

Any cash paid in respect of margin receives credit interest at the London Deposit Rate¹².

Other acceptable collateral includes Government Securities, Certificates of Deposit and Performance Bonds. The option to post collateral via Euroclear Autoselect is also available. Full details of acceptable currencies and collateral can be found on our website at http://www.lchclearnet.com/risk_management/ltd/acceptable_collateral.asp.

Members can achieve collateral efficiencies from the netting and consolidation of margin requirements across their business with LCH.Clearnet Ltd, covering all products and services, by using a single mnemonic.

Fees are collected monthly in arrears from members using the PPS system.

¹² An LCH.Clearnet generated rate.

Settlement Management

Settlement Netting

Net, aggregate and gross settlement options are available.

Netting is the sum of buys and sells together. Aggregation is the sum of buys and the separate sum of sells. Aggregation ensures that settlement is always delivery versus payment.

Netting and aggregation options are offered on a trade date net (TDN) basis.

Trades having the following in common will have the equity quantity and settlement amount netted and/or aggregated:

- Contractual terms:
 - Equity (ISIN)
 - Settlement currency
 - Intended settlement date (ISD)
- Settlement accounts, for both parties:
- Trade & clearing parameters:
 - Trade date
 - Settlement Firm
 - Dealing capacity (Principal or Agent)
 - Clearing member account
 - Trade source*

*Members can choose to net/aggregate settlements across trade sources¹³.

There are nine possible outcomes for a settlement participant from netting.

Outcome	Description	Stock	Cash
1	Delivery versus payment (DVP)	Deliver	Receive
2	Receipt versus payment (RVP)	Receive	Deliver
3	Delivery free of payment (DFP)	Deliver	Net to 0
4	Receipt free of payment (RFP)	Receive	Net to 0
5	Cash payment (CPO)	Net to 0	Deliver
6	Cash receipt (CRO)	Net to 0	Receive
7	Delivery with payment (DWP)	Deliver	Deliver
8	Receipt with payment (RWP)	Receive	Receive
9	Null settlement	Net to 0	Net to 0

Outcomes 1-2 are considered to be 'standard nets', involving the delivery of stock against payment. Outcomes 3-9 are considered to be 'non-standard nets'.

¹³ Eligible trade sources must have common fails management rules, e.g. buying-in rules. This is generally achieved by the trade source rules deferring to the EquityClear rules.

Outcomes 5-8 involve a cash payment not against a stock delivery. Where such nets arise from settlement of London Stock Exchange and Equiduct trades in EUI/CREST or from settlements in SIX SIS and Euroclear Bank the settlement of the cash payment will take place in the CSD. In all other cases the cash payments will be settled by standard interbank transfer, hence outside the CSD. For settlement participants who are unable to support full netting or prefer not to use it three aggregation options are provided.

The following table shows the nine possible outcomes from settlement netting and whether Netting (N) or Aggregation (A) would be performed in each case for each of the following four netting/aggregation options.

- (1) Net in all cases.
- (2) Aggregate in all cases.
- (3) Aggregate all non-standard nets.
- (4) Aggregate only non-standard nets involving cash payments.

Outcome	Description	Stock	Cash	(1)	(2)	(3)	(4)
1	Delivery versus payment (DVP)	Deliver	Receive	N	A	N	N
2	Receipt versus payment (RVP)	Receive	Deliver	N	A	N	N
3	Delivery free of payment (DFP)	Deliver	Net to 0	N	A	A	N
4	Receipt free of payment (RFP)	Receive	Net to 0	N	A	A	N
5	Cash payment (CPO)	Net to 0	Deliver	N	A	A	A
6	Cash receipt (CRO)	Net to 0	Receive	N	A	A	A
7	Delivery with payment (DWP)	Deliver	Deliver	N	A	A	A
8	Receipt with payment (RWP)	Receive	Receive	N	A	A	A
9	Null settlement	Net to 0	Net to 0	N	A	A	N

Flexibility is provided in that the netting/aggregation option can be chosen separately for each combination of Settlement Firm, Dealing Capacity (Principal or Agent), CSD and Trade Source.

Cash payments due to settle via interbank transfer are further netted¹⁴ overnight prior to settlement date (ISD-1) on a per currency basis. That is, there will be no more than one cash payment required between a Settlement Firm cash account and LCH.Clearnet per currency per day.

The exception is that cash payments arising from corporate events are excluded from this process. Generally these are settled automatically within the relevant CSD but where this is not the case, e.g. Italy, the payments will continue to be settled separately.

Gross settlement is supported for certain trade sources and CSDs¹⁵:

- ⦿ London Stock Exchange and Equiduct trades settling in EUI/CREST.
- ⦿ Any trades settling in SIX SIS and Euroclear Bank.

¹⁴ Netting is applied across cash positions arising from principal and agency trades.

¹⁵ All Irish equity agency trades are settled gross as requested by the Irish Revenue Commissioners.

Settlement Instruction

A number of settlement instruction methods are used dependent on the (I)CSDs¹⁶ and markets.

SIX SIS (SegalInterSettle)

LCH.Clearnet will instruct all settlements in SIX SIS on behalf of members using power-of-attorney arrangements.

Euroclear Bank

LCH.Clearnet will instruct all settlements in Euroclear Bank on behalf of members using power-of-attorney arrangements.

Euroclear UK & Ireland (CREST)

For the London Stock Exchange (SETS) and Equiduct, member instruction details are made available to the CREST system by a CREST Central Sponsor. Members can use the CREST Direct Input service to choose how they want their settlements instructed, either using the Central Sponsor instruction details or instructing their own settlements. Settlement is made with an LCH.Clearnet CCP Participant in CREST. CREST CCP Services are available to Members.

For other markets, settlement is made with an LCH.Clearnet standard participant in CREST and will operate as described for other CSDs below.

Other CSDs (Pan-European, Asia Pacific)

Except as specifically described above the following process will apply:

LCH.Clearnet will instruct its own settlements into the appropriate CSD. Members, or their settlement agent, must match the LCH.Clearnet instructions. The option is provided to have the matching settlement instruction generated by EquityClear and instructed to the settlement agent under a power of attorney.

The top six net outcomes in the list above will be instructed as versus payment, free of payment and funds transfer instructions respectively. The delivery/receipt with payment outcomes will be instructed as separate free of payment and funds transfer instructions. The 'null net', no cash payment or stock delivery due, will not be instructed for settlement.

The cash only payments will be made outside CSDs using standard interbank payments.

Settlement Location

No choice of settlement location may be made, each trade settling in a predetermined CSD. This CSD is generally the one with the highest liquidity or the one which is appropriate to the underlying market.

EquityClear provides the necessary flexibility:

- Trades in the same equity but different settlement currencies can be settled in different CSDs. e.g.
 - Royal Dutch Shell in pounds sterling (GBP) can settle in EU1.

¹⁶ Members or their settlement agents should consult with the CSDs, as necessary, on the services they provide, particularly with regard to matching and settlement status updates.

- Royal Dutch Shell in euro (EUR) can settle in Euroclear Netherlands.
- Trades in the same equity and settlement currency may be settled in different locations per trade source.
- Trades from the same trade source (e.g. an MTF) for the same equity and settlement currency can be settled in different CSDs in the case where equities listed on more than one primary market are being mirrored. E.g.
 - ST Microelectronics for Euronext Paris in Euroclear France, and
 - ST Microelectronics for Borsa Italiana in Monte Titoli.

Settlement Details

Members specify the following settlement details:

- Settlement Agent (e.g. CREST Settlement Participant, SIS Business Partner)
- Settlement Account - for stock (e.g. CREST member account)
 - Where provided (e.g. not provided by Euroclear Bank)
 - Can be left blank to use the CSD default account
- Settlement netting preference¹⁷
 - Gross, net or aggregation option, where applicable

The settlement details are specified for each combination of:

- Trade source¹⁸
- Settlement firm
- Dealing capacity
- Settlement location (CSD)

Splitting (Partialing)

As a CCP, LCH.Clearnet's position is flat. It is highly beneficial to carry no overnight holdings thus avoiding overnight credit costs and potential additional corporate action processing costs, both of which are ultimately recovered through fees.

Where a stock balance does not fulfil outstanding deliveries LCH.Clearnet will endeavour to split a delivery to minimise overnight security positions in its accounts.

Some CSDs¹⁹ offer CCPs an auto-splitting service and LCH.Clearnet utilises these services where available and suitable to its needs.

Where a suitable auto-splitting service is not available LCH.Clearnet will instruct its own splits where allowed by a CSD. This may be achieved by a cancellation of the original instruction and instruction of new transactions reflecting the split.

If counterparty confirmation is required LCH.Clearnet operations will contact the counterparty to ask them to do so.

¹⁷ In certain circumstances settlement netting may not be eligible for an equity, a trade source or a settlement location. Some trade sources may not be eligible for cross trade source settlement netting.

¹⁸ For SIX Swiss Exchange trades settling in SIX SIS the settlement details are provided on the trade and used accordingly.

¹⁹ E.g. Euroclear UK & Ireland (EUI), SegalInterSettle (SIS), Euroclear Bank

A counterparty may split their delivery to LCH.Clearnet where the CSD provides appropriate facilities but only where LCH.Clearnet is not required to confirm this.

Shaping

Shaping is the splitting of settlements prior to instruction into a CSD into shapes of limited stock quantity or settlement value. Shaping reduces the benefits of netting and it will only be used where necessary.

Where splitting is not supported by a CSD, LCH.Clearnet may shape instructions to limit the potential size of overnight stock balances and to ensure it maximises liquidity in the market.

Some settlement locations specify a limit and settlements are shaped accordingly; e.g. Swiss Interbank Clearing (SIC) has a specified CHF100M limit per transaction.

Fails Management through Buying-in

The 'buying-in' process is used to achieve delivery of ongoing settlement fails. It can be initiated by the buying member suffering the fail or by LCH.Clearnet.

In the event that buying-in of the stock cannot be achieved LCH.Clearnet will cash settle the relevant outstanding deliveries in order to provide settlement finality.

Full details of the buying-in procedures can be found in section 2D of the LCH.Clearnet Ltd Procedures on our website at http://www.lchclearnet.com/rules_and_regulations/ltd/default.asp.

Administration Fee

LCH.Clearnet will charge an administration fee per Buy-In Notice issued to a failing party. The administration fee will appear as an item on the associated member's monthly clearing invoice.

Dealing Fees/Commissions

Dealing charges, expenses and commissions that are applicable will be included in the consideration of the settlement transaction matched with the buying-in agent and the liable party.

Fail Fines

No fines are charged by LCH.Clearnet for settlement fails. CSDs may have such a regime in place. Where LCH.Clearnet is charged for its fails, these charges will be passed through to failing members.

Corporate Actions

All settlements²⁰ are instructed on trade date, so corporate action processing for the purposes of settlement is generally carried out automatically by the CSD. EquityClear monitors the resulting settlement confirmations and closes the positions accordingly.

²⁰ Some OTC trades may be received and instructed on the day after trade date (T+1)

Where CSDs do not generate the appropriate settlement obligations or delete unsettled transactions after a defined period, EquityClear has the capability to instruct the required settlements using the internally generated obligations.

Acceptance of elections on optional events is market dependent. Details are provided in the EquityClear rules.

Tariff

The EquityClear tariff rewards additional volume on a per member basis, the higher a member's volume the lower their average fee. Details can be found on our website at <http://www.lchclearnet.com/tariffs/ltd/transactions/equityclear.asp>.

Charges on LCH.Clearnet made by CSDs or agents in support of the EquityClear service are passed on to members at cost, including discounts received.

Fees are collected through the Protected Payments System (see section Margin Cover & Payments).

Member Reporting

Real Time Confirmations

Members have the option to receive real time trade confirmations. The confirmations will be of trades LCH.Clearnet has validated and registered for clearing.

The trade confirmations will be offered using industry recognised message standards.

- ISO 15022 Trade Confirmations (MT518)
- FIX Trade Capture Report (AE).

Messages can be received over SWIFT or over the managed network service provided by BTRadianz..

Full details are provided in a separate document, Real Time Confirmations, which can be found on our website at http://www.lchclearnet.com/cash_equities/equityclear.asp.

Reports

EquityClear provides a full suite of reports for its clearing members, including margin reports, trade reports, settlement netting reports and fees volume reports.

Full details of the reports are provided in a separate document, Member Report Formats, which can be found on our website at http://www.lchclearnet.com/cash_equities/equityclear.asp.

Business from each regional time zone (Europe, Asia Pacific and America) will be reported separately, in line with the local business day timetable. The established file naming convention will remain unchanged and apply to each region but the files will be held in a different directory for each region.

Treasury reports

A suite of treasury reports, or banking reports as they are otherwise known, is produced for members across all their LCH.Clearnet Ltd business.

Fee Invoices

Clearing fees and settlement charges are invoiced monthly on separate invoices. The invoices are posted to the member reporting website.

Connectivity

Members can connect to LCH.Clearnet Ltd via the following:

- Managed Network Service, provided by BT Radianz
- Internet link

Abbreviations

CCP	Central Counterparty
CESR	Committee of European Securities Regulators
CFD	Contract For Difference
CPSS-IOSCO	Committee on Payment and Settlement Systems - International Organization of Securities Commissions
CSD	Central Securities Depository
ERA	Equity Risk Analysis
EU	European Union
EUI	Euroclear UK & Ireland
EUR	Euro
FSA	Financial Services Authority
GBP	Pounds Sterling (£)
GCM	General Clearing Member
HMRC	Her Majesty's Revenue & Customs
ICM	Individual Clearing Member
ICSD	International Central Securities Depository
IRC	Irish Revenue Commissioners
ISD	Intended Settlement Date
ISIN	International Security Identification Number
LCH	LCH.Clearnet Ltd
LDR	London Deposit Rate
LIBOR	London Inter-bank Offer Rate
MTF	Multilateral Trading Facility
NCM	Non Clearing Member
OTC	Over-the-counter
PPS	Protected Payments System
RIE	Recognised Investment Exchange
RMO	Recognised Market Operator
SDRT	Stamp Duty Reserve Tax
SIS	SegalInterSettle
T	Trade Date
TDN	Trade Date Net(ting)