

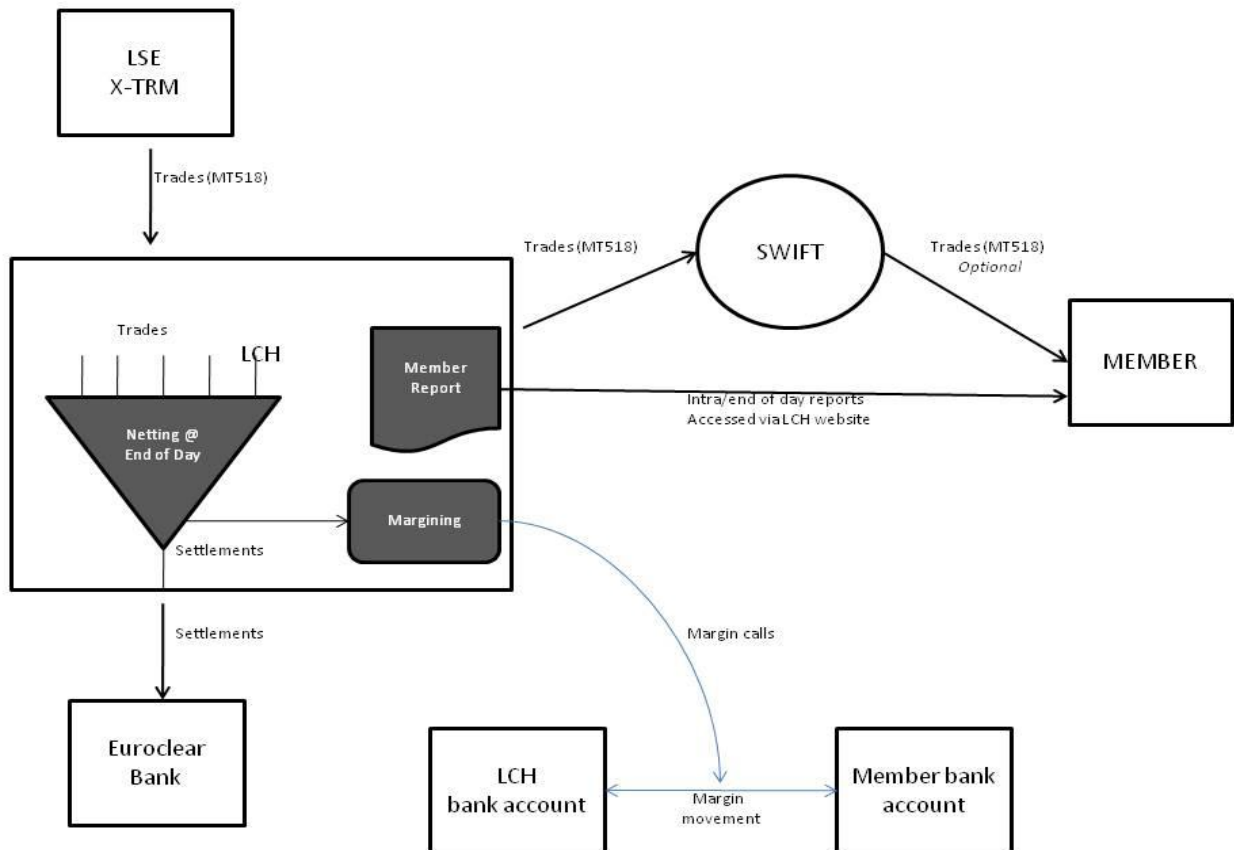
IOB Frequently Asked Questions

SCOPE & BACKGROUND

SB1. What is the go-live date?

23rd March 2009

SB2. What does the flow look like?



SB3. Which stocks are included

The top 50 stocks by volume as defined on the LSE website IOB Page

<http://www.londonstockexchange.com/en-gb/products/membershiptrading/tradingservices/internationalorderbook/internationalorderbook.htm>

See the document "IOB proposed CCP securities"

SB4. What about stocks that settle at DTCC?

As per the service description from the LSE, only stocks settling at Euroclear will be included. The Exchange is mandating Euroclear settlement for the 11 stocks in the top 50 that currently settle at DTCC.

SB5. Are there any deadlines set by LCH.Clearnet?

Deliveries into LCH.Clearnet can only be made up to 16:30 (UK time) on settlement day.



LCH.Clearnet can deliver to members up to close of settlement in Euroclear 17:00 (UK time).

SETTLEMENT

S1. Do settlement agents need to sign new Power of Attorney agreements?

They will need to ensure that suitable POA arrangements are in place to allow LCH.Clearnet to deliver on their behalf in Euroclear Bank.

S2. What does Power of Attorney mean?

LCH.Clearnet will instruct both sides of the gross or net settlement instructions. It enables LCH.Clearnet to ensure that all settlement instructions are matched on trade date, allows LCH.Clearnet to facilitate splitting/partials, deal with corporate event outturns more efficiently and instruct with more control. It reduces the operational issues associated with controlling an orderly market.

S3. Do members need to have a separate account at Euroclear for their IOB business?

LCH.Clearnet does not mandate this, although the POA will cover the whole account and as such members may want to isolate their IOB business in a separate account.

S4. Which account will LCH.Clearnet be using at Euroclear ?

Our Euroclear account number is 99750

S5. What time will settlement instructions be sent to Euroclear?

Gross settlements will be sent intra-day. Net settlements will be sent at EOD at approx 17.45-18.00.

RECEIVING DATA FROM LCH

R1. How will GCM's receive details of the trades done by their NCM's?

There are several ways this data can be accessed.

1. LCH.Clearnet produces reports on its member reporting website which are updated every 30 minutes and show the accumulation of trades that day, per GCM. These reports have existed for some time and are detailed in the document "Member Report Formats"
(http://www.lchclearnet.com/cash_equities/plus_markets/technical_documents.asp)
2. Member's can access the same reports via TRS.
3. LCH.Clearnet is also introducing an optional trade confirmation service. This will be on a gross trade basis and an MT518 message will be sent per trade via Swift to GCM's. Details of this message format can be found under Technical Documents.

FEES & CHARGES

F1. What are the charges for receiving the trade confirmation service over SWIFT?

If the GCM opts for the service, LCH.Clearnet will not charge, however we will pass through the SWIFT message charges. This can be either paid by LCH.Clearnet and billed, or probably more likely, reverse billed (as the member's message rate at SWIFT will inevitably be lower).

F2. What clearing fees will be charged by LCH?



Volumes on IOB will be cumulative with all volumes cleared through the EquityClear Service. With increased volumes members can reduce their unit cost. The fee schedule for clearing is available on the website. http://www.lchclearnet.com/cash_equities/swx/fees.asp

F3. Will LCH.Clearnet require members to increase their Default Fund contribution?

No.

F4. Will LCH.Clearnet pass through Euroclear Settlement fees ?

Yes.

MARGINING

M1. How will margining be carried out?

Margin rates per stock will be determined by LCH.Clearnet's risk department and then will margin using ERA, so margining of IOB securities will operate in the same way as for all EquityClear business.

M2. How are margin calls instructed and what currencies can be paid?

If a member is uncovered following an intra-day margin run, they will be contacted by Treasury Operations by phone and advised of the additional amount that they will be required to pay. Before 2:30pm UK time, members can elect to cover ITD margin calls in EUR, GBP or USD. After 2:30pm the only acceptable currency is USD. Debit instructions are then sent to the member's PPS bank and the margin call must be confirmed by that bank within 1 hour. The member should check Banking REP00033 for written confirmation of the amount taken. This report is generally updated within 45 minutes of a margin call being processed.

Overnight calls are sent to the member's PPS bank during the night and must be confirmed by the bank by 9:00am. Members should review their LCH Banking reports (see Banking Reports Reference pack) to ensure that they fund their accounts correctly.

M3. What interest is paid on cash margin ? Collateral charges ?

On cash, we pay LDR (calculated daily by Treasury Control – overnight LIBID minus 25bps). On collateral, we charge an accommodation fee of 10 bps for the utilised collateral balance. The charge is applied in the currency of the liability covered.

DOCUMENTATION

D1. Will I require a new static data form or can I use existing set-up?

EquityClear members can utilise existing set-up's. They will also be required to complete a new static data form.

D2. How will I provide information to LCH for opting into this service?

LSE will issue a static data form which will be sent to you for completion.

D3. Will I need to fill in a form for testing with Euroclear ?

Yes, a form will be sent to you in mid Feb 2009. This needs to be filled in and returned to Euroclear.

D4. Will there be a new NCM/GCM/LCH agreement ?

No it will be covered by existing.



TESTING

T1. Does LCH provide or indeed mandate member testing?

There is a two week window for member testing planned from the 2nd to the 13th March 2009 (dates TBC). This is entirely optional and is up to the members whether they wish to utilise this.

T2. Will this member testing involve Euroclear ?

Yes, settlement messages will be sent to Euroclear. If a member wishes to interact with Euroclear they should fill in the application form for Euroclear testing.

T3. Can the member testing window be started earlier or extended later ?

This isn't possible due to other test phases.

OPERATIONAL

OP1. How will splits/partials be handled?

Auto-splitting runs during daylight settlement (06:00 & 13:00 CET) in Euroclear. Euroclear split outstanding deliveries and receipt against LCH.Clearnet's settlement account and issue messages to settlement participants.

LCH.Clearnet may also split its outstanding deliveries by cancel & re-book on an ad hoc basis. However, it is anticipated that these will be rare.

OP2. Can I make a partial to LCH.Clearnet?

Partials can only be made to LCH.Clearnet by the auto-splitting run as described above. LCH.Clearnet will not agree to bilateral partials with settlement participants and unilateral partials cannot be made in Euroclear Bank. Where CSDs offer a unilateral partial facility (e.g. EUI), we are happy to accommodate. We advise members to participate in the auto-borrowing programme to reduce the need to make partials.

OP3. How will buy-ins be handled?

Original transaction is not cancelled. LCH.Clearnet will input a new transaction against the liable party to include the relevant securities, costs etc, which will then be used to settle the outstanding transaction.

LCH.Clearnet will also operate its own buying in rules. Whereby LCH.Clearnet initiate buy-in on ISD + 30, then initiate Cash Settlement procedure after ISD + 60.

OP4. Confirm netting for IOB whilst gross settlement for Sets?

This is possible and configurable per trade source and CSD combination.

OP5. Is netting available, is it mandatory and how does it work?

Trades can be settled gross by those who wish to do so. For those who wish to settle net, trade date netting (TDN) is offered. At end of day, once the gross trade reconciliation with LSE has completed, the day's trades flagged for netting will be net and instructed to Euroclear. The net settlements generated at end of day are listed in Member Report "EREP0005 – Netting – Net Trades for Settlement".

OP6. Which calendar will be used ?

The USD calendar, for further details please contact Helen Jeeves at the LSE



TECHNOLOGY / FILE CONTENT

TF1. What trade source will be used?

For real time trade confirmations, the trade source ID will be XLON-IOE
For instructions to Euroclear and reports, it will be XIOB.

TF2. Is the TradeSrcRef in EREP0006 equal to the TradeElect exchange reference?

Yes

TF3. What values will we receive in TradeType field?

All IOB trades will be of type CVTT

TF4. Will we be notified of Cancellations?

Contras get a reference in EREP0006, however cancellations are not included.

TF5. What trade source information can I expect to see within EREP0006?

The report includes all applicable trade sources. It will include Equiduct, IOB, PLUS Markets & SWX Europe. It does not include LSE Sets business.

TF6. Will the settlement instruction reference appear on the MT518 message?

No, there's no settlement information on the MT518 trade confirmation.
The Trade Source reference will appear in the COMM field.

TF7. Will LCH.Clearnet provide the settlement instruction reference?

LCH.Clearnet will provide its settlement instructions in reports EREP0005 & EREP0006.
On the instructions from LCH.Clearnet to Euroclear (541/543), it's the SEME reference
On the message back from Euroclear (545/547/548), it's the RELA reference.

TF8. What is the MIC for IOB business?

For trade confirmations, the Trade Source ID will be "XLON-IOE".
For instructions to Euroclear and reports, it will be "XIOB".

FILE FORMATS

Please see below for MT518 Swift confirmation messages also settlement messages to and from Euroclear.

Swift Format MT518 Trade confirmation

```
{1:F01TESTBIC1X2340000000000}{2:I518LCHLGB2EAVTXN}{4:
:16R:GENL
:20C::SEME//MBBBD000002
:23G:NEWM
:22F::TRTR/LCHL/CVTT
:16R:LINK
:20C::COMM//TEST7777
:16S:LINK
:16S:GENL
:16R:CONFDET
```



:98A::TRAD//20020421
 :98A::SETT//20020424
 :90B::DEAL//ACTU/EUR4,
 :94B::TRAD//EXCH/XLON-IOE
 :19A::SETT//EUR8000,
 :22H::BUSE//SELL
 :22H::PAYM//APMT
 :16R::CONFPRTY
 :95R::SELL/LCHL/XLONBEBB
 :22F::TRCA//PRIN
 :20C::PROC//TEST7777
 :70C::PACO//SGCA/AAAH
 :16S::CONFPRTY
 :16R::CONFPRTY
 :95R::BUYR/LCHL/LCHLGB2E
 :22F::TRCA//PRIN
 :16S::CONFPRTY
 :36B::CONF//UNIT/2000,
 :35B::ISIN CH0000000001
 :16S::CONFDET
 -}

Swift Format MT518 Trade confirmation

{1:F01TESTBIC1X2340000000000}{2:I518LCHLGB2EAVTXN}{4:
 :16R::GENL
 :20C::SEME//MBBBD000001
 :23G::NEWM
 :22F::TRTR/LCHL/CVTT
 :16R::LINK
 :20C::COMM//TEST7777
 :16S::LINK
 :16S::GENL
 :16R::CONFDET
 :98A::TRAD//20020421
 :98A::SETT//20020424
 :90B::DEAL//ACTU/EUR4,
 :94B::TRAD//EXCH/XLON-IOE
 :19A::SETT//EUR8000,
 :22H::BUSE//BUYI
 :22H::PAYM//APMT
 :16R::CONFPRTY
 :95R::SELL/LCHL/LCHLGB2E
 :22F::TRCA//PRIN
 :16S::CONFPRTY
 :16R::CONFPRTY
 :95R::BUYR/LCHL/XLONBEBB
 :22F::TRCA//PRIN
 :20C::PROC//TEST7777



```

:70C::PACO//SGCA/AAAH
:16S:CONFPTY
:36B::CONF//UNIT/2000,
:35B:ISIN CH0000000001
:16S:CONFDET
-}

```

Description	Stock	Cash	LCH Swift Inx to Euroclear	Swift Settlement from Euroclear
Delivery versus payment (DVP)	Deliver	Receive	MT543 with positive stock and cash	MT547 Delivery vs payment confirmation
Receipt versus payment (RVP)	Receive	Deliver	MT541 with positive stock and cash	MT545 Receipt vs payment confirmation
Delivery free of payment (DFP)	Deliver	Net to 0	MT543 with positive stock and cash=0	MT546 Delivery FoP Confirmation
Receipt free of payment (FRP)	Receive	Net to 0	MT541 with positive stock and cash=0	MT544 Receipt FoP Confirmation
Cash payment	Net to 0	Deliver	MT541 with stock=0 and positive cash	MT545 with stock=0 and negative cash
Cash receipt	Net to 0	Receive	MT543 with stock=0 and positive cash	MT547 with stock=0 and positive cash
Delivery with payment	Deliver	Deliver	MT543 with positive stock and negative cash	MT546 for securities leg MT545 for cash leg
Receipt with payment	Receive	Receive	MT541 with positive stock and negative cash	MT544 for securities leg MT547 for cash leg
Null settlement	Net to 0	Net to 0	No instruction	No Reporting