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## 2D.1 **INTRODUCTION**

### 2D.1.1 **General**

These Procedures form part of the Rulebook (the Clearing House's General Regulations, Default Rules and Procedures) and must be read in conjunction with the other parts of the Rulebook. Members must inform themselves fully of their obligations under the Rulebook and under other relevant documentation, such as the Clearing Membership Agreement and any applicable "**EquityClear NCM-GCM Agreement**". Members should also be familiar with the relevant rules and procedures of the Approved Trading Platform ("**ATP**") through which trades are executed, and the rules and procedures of the Approved EquityClear Settlement Provider ("**ASP**") through which settlement is affected. Such documents are subject to change.

Members should note that where any benefit or thing arises as a result of a Corporate Action (see Section 2D.15) these Procedures apply to such benefit or thing whether or not the benefit or thing so arising consists of an EquityClear Eligible Instrument.

In the event of any conflict between any provision of these Procedures and any requirement or provision of any third party (including but not limited to any requirement or provision in any market or other rules of an ATP or ASP), these Procedures shall prevail.

### 2D.1.2 **Definitions**

Definitions of terms used in this Section 2D can be found either in the General Regulations or Appendix 2D.A of these procedures.

### 2D.1.3 **EquityClear Eligible Instruments**

2D.1.3.1 Members are advised for the purposes of the Regulations and these Procedures, that instruments, eligible for clearing in the EquityClear service ("**EquityClear Eligible Instruments**") are identified as such on the LCH.Clearnet website ([www.lchclearnet.com](http://www.lchclearnet.com)). There may be different EquityClear Eligible Instruments in respect of different ATPs. Members may also be notified of additions or deletions from time to time by Member circular.

#### 2D.1.3.2 Trading in "when-issued" market instruments ("**grey market stocks**")

In the event that a "when issued" security is added to any list of EquityClear Eligible Instruments, Members should note that any obligations of the Clearing House in respect of any EquityClear trade or resulting EquityClear Contract for that security will only arise in the event that that security is listed as planned. In the event that the listing does not proceed on the planned day of listing the Clearing House shall deem any EquityClear trade executed in that security to be null and void and will reject it if it is submitted for registration. Any EquityClear Contract already registered by the Clearing House in that security will be deemed void from the point of entry into those contracts ("**ab initio**") and the Clearing House will return any margin held by it in respect of them. The Clearing House will have no other liability in respect of those contracts.

**2D.1.4 Enquiries**

Enquiries regarding these EquityClear Procedures or any other aspects of the operation of the EquityClear Service should be directed to the Clearing House's EquityClear Operations department on +44 (0)20 7426 7601 or via the email address [equityclearbusinessops@lchclearnet.com](mailto:equityclearbusinessops@lchclearnet.com). Enquiries regarding margining should be directed to the Clearing House's Risk Operations department on +44 (0)20 7426 7520. Full details of contact points may be found on the LCH.Clearnet website: <http://www.lchclearnet.com>.

**2D.1.5 Service Use**

2D.1.5.1 Where any Member wishes to participate in any part of the EquityClear service it must first seek appropriate authorisation from the Clearing House. Members seeking authorisation to participate in the EquityClear service will be required to seek separate authorisation for business undertaken in relation to the service provided for each Approved Trading Platforms (ATP's).

Details of how to obtain such authorisations may be obtained from the Clearing House's Membership department +44 (0)20 7426 7627/7063/7521. The Member must comply with all membership and other requirements of the Clearing House, including requirements relating to settlement. Specifically with regard to settlement Members must at all times ensure:

- (i) appropriate stock account/s is/are nominated and available in the system of the ASP for the delivery and receipt of the Eligible EquityClear Instruments which form the basis of such EquityClear Contracts; and
- (ii) a fully operational cash account is nominated and available in the system of the ASP in respect of each currency in which an EquityClear Contract may be concluded;
- (iii) where the Clearing House requires, the holder of the nominated stock account must provide to the Clearing House a Power of Attorney in the form authorised by the Clearing House, empowering the Clearing House to input relevant settlement instructions – see section 2.D.9.1.1 below.
- (iv) that it has PPS accounts in all relevant currencies to enable clearing and settlement

Failure to meet the requirements set out in (i) to (iv) above (and other applicable requirements) will result in that Member not having appropriate settlement arrangements in place and, as a result, any EquityClear trades submitted by that Member or on its behalf will not fulfil the relevant EquityClear eligibility criteria (see Regulation 62A, Regulation 62B and Regulation 62C). In such a case, those EquityClear trades may be rejected by the Clearing House and no EquityClear Contracts would arise. The EquityClear trade would then be governed by any applicable ATP market rules. Members should also note that where they give notice to the Clearing House that they wish to participate in settlement netting arrangements (see section 2D.11), they must ensure that all necessary arrangements have been made with the relevant ASP for net settlement to proceed in accordance with the relevant ATP market rules and settlement rules of the ASP.

2D.1.5.2 In the event that, at the time when the Clearing House or its agent receives the details of any EquityClear trade for registration, the Member in whose name that trade is to be registered as an EquityClear Contract (“the Account Deficient Member”) has not made available a fully operational cash account (for example a “Cash Memorandum Account” in CREST) or stock account in the system of the ASP or a PPS account, for settlement purposes in respect of that EquityClear trade, then the Clearing House may, in its absolute discretion, nevertheless decide to register that EquityClear trade as an EquityClear Contract. In such circumstances, the Clearing House may make such arrangements as it considers appropriate (including, but not limited to the creation of a temporary cash or stock account in the system of the ASP) in order to facilitate the proper and orderly settlement of that EquityClear Contract. The Clearing House is entitled in those circumstances to debit the relevant PPS account of the Account Deficient Member for all costs and expenses incurred by the Clearing House.

#### 2D.1.6 **Use of Agents for Settlement and/or Delivery Purpose**

2D.1.6.1 Where the Clearing House receives an instruction from a Member, or a Non-Clearing Member (“NCM”) who is participating in the EquityClear Service pursuant to an EquityClear NCM-GCM Agreement with that Member and the Clearing House – see Section 2D.2.3 below - or from some other agent or representative of that Member, requesting or requiring that settlement and/or delivery of any EquityClear Eligible Instruments under any EquityClear Contract, be carried out by that NCM, or any third party acting as agent or other representative of that Member or NCM (“Settlement Agent”), then the Clearing House will do what it reasonably can to accommodate such request as set out below, providing however that in any such case and notwithstanding such instruction, that Member shall remain responsible for meeting all obligations to the Clearing House with regard to settlement and delivery under the Rulebook (including these Procedures) and any other applicable agreements.

2D.1.6.2 The Clearing House will use its reasonable endeavours to take delivery from or make delivery to such Settlement Agent but the Clearing House has no contractual relationship with such Settlement Agent and shall owe no duty of care nor have any liability whatsoever to such Settlement Agent (whether that person is a Member or not) or any other person in the event of any act or default of such Settlement Agent, or with regard to any matter arising out of or in connection with such delivery.

2D.1.6.3 Subject to the above, any reference in these Procedures to any act to be done by a Member may be carried out by a Settlement Agent where one has been appointed and the Clearing House has been so notified.

#### 2D.1.7 **Suspension of Trading**

For the avoidance of doubt, any action by an ATP to suspend, de-list or take any other action with regard to an EquityClear Eligible Security shall not affect any obligations that a Member may have to the Clearing House with regard to any unsettled EquityClear Contracts in that EquityClear Eligible Security.

#### 2D.1.8 **Liability**

2D.1.8.1 Members are asked to note that any statements set out in these Procedures regarding the liability of the Clearing House are made without prejudice to the generality of the provisions set out in Regulation 39 (Exclusion of Liability).

2D.1.8.2 The Clearing House does not seek to limit or exclude any liability for personal injury or death caused by its negligence, or for fraud or wilful default on the part of the Clearing House.

## 2D.2 **GENERAL INFORMATION**

### 2D.2.1 **Only EquityClear trades which:**

- (i) meet the relevant EquityClear eligibility criteria;
- (ii) meet the other requirements of the Rulebook (including but not limited to the EquityClear Regulations);
- (iii) are in EquityClear Eligible Instruments for the ATP on which they originate;
- (iv) are executed through an ATP approved by the Clearing House for that purpose,

are eligible for registration by the Clearing House as EquityClear Contracts.

### 2D.2.2 **Subject to the requirements of the Rulebook, participation in the EquityClear service is available to:**

- (i) any Clearing Member who has been and remains approved by the Clearing House to participate in the EquityClear service as provided for the relevant ATP; and
- (ii) any NCM - see section 2D.2.3 below - who has been admitted to and who remains on the Register of EquityClear NCMs for the relevant ATP.

### 2D.2.3 **EquityClear Trades of EquityClear NCMs**

2D.2.3.1 The Clearing House has a form of agreement, known as the "EquityClear NCM-GCM Agreement". It sets out the terms which apply to the supply by the Clearing House of clearing services in respect of EquityClear trades executed through an ATP by persons who are not Clearing Members of the Clearing House but whose names are included in the "Register of NCMs" held by the Clearing House in respect of each ATP, and who are known as "Non Clearing Members" or "NCMs"). After submission of the EquityClear NCM-GCM Agreement, a Clearing Member must submit a static data form for each ATP, the purpose of which is to inform the Clearing House of the ATPs in respect of which the Clearing Member will accept trades submitted by each NCM.

2D.2.3.2 Where any Clearing Member is authorised by the Clearing House to participate in the EquityClear service as provided for any particular ATP and that Clearing Member wishes the Clearing House to become party to EquityClear Contracts arising from EquityClear trades initiated by an NCM then it must first enter into an EquityClear NCM-GCM Agreement with that NCM and submit the Agreement to the Clearing House with a request that the Clearing House agrees to become party to it by signing it. The Clearing House Membership department on +44 (0)20 7426 7627/7063/7521 will provide details of the correct form to be used in putting forward such Agreement for the Clearing House's approval.

2D.2.3.3 The receipt by the Clearing House of an EquityClear NCM-GCM Agreement in the prescribed form, signed by a Clearing Member approved by the Clearing House to clear eligible trades executed on ATPs (known in the agreement as a "GCM"), and an NCM shall be conclusive evidence that the Clearing Member party to it agrees to be party to EquityClear Contracts arising according to the terms of that agreement. The Clearing House is not obliged to verify the appropriateness or authenticity of the signatures which appear on any such agreement, nor that the person signing on behalf of any of the parties had the correct authority to sign. Any NCM wishing to change its status by becoming a Clearing Member must ensure that it has terminated the EquityClear NCM-GCM Agreement to which it is party according to the terms of that agreement, and completed a new Static Data Form, prior to submitting in its new capacity any EquityClear trades for clearing. Failure to do so may result in delay in registration of trades or their rejection.

2D.2.3.4 Only EquityClear trades executed through an ATP may be submitted to the Clearing House or its agent for registration as EquityClear Contracts. NCMs, and Clearing Members submitting such EquityClear trades on their behalf, must familiarise themselves with all operating procedures and applicable rules of the ATP upon which such EquityClear trades are executed. The current list of ATPs for the EquityClear Service can be found in Appendix 2D.D. Members may also be notified of additions or deletions from time to time by Member circular.

2D.2.3.5 Deliveries of EquityClear Eligible Equities resulting from EquityClear Contracts may only be made through one of the settlement systems approved by the Clearing House for such purposes ("Approved EquityClear Settlement Provider" or "ASP"). Clearing Members, and NCMs submitting such EquityClear trades on their behalf must familiarise themselves with all operating procedures and applicable rules of the relevant ASP. The ASPs which have been approved by the Clearing House are listed in Appendix 2D.E.

#### 2D.2.4 **Service Timetable**

Operating Times:

The Clearing House will publish by Clearing Member circular and on its website details of the days and times during which the EquityClear service will be operational in respect of each ATP.

Trade acceptance hours:

Please refer to the trade acceptance hours of the ATP concerned.

#### 2D.2.5 **Member Reporting**

The Clearing House makes available appropriate clearing information via reports, real time confirmations and other means. Full details are contained in the relevant Service Description documentation.

#### 2D.2.6 **Static Data**

Prior to submission of any EquityClear trades for registration a Clearing Member is required to complete the appropriate Static Data Form for the relevant ATP for each of the types of EquityClear trades set out below and for each ATP from which such EquityClear trades will be submitted:

- (i) EquityClear trades submitted by that Clearing Member or on its behalf by persons other than NCMs; and
- (ii) EquityClear trade submitted by each NCM which is party with it to a current EquityClear NCM-GCM agreement.

Sub-paragraph (i) above applies to any EquityClear trades under any agency arrangements permitted by the rules of that ATP (for example, Model B clearing arrangements as they are permitted under the rules of the London Stock Exchange).

The format, contents and completion process of the Static Data Form in respect of each ATP is prescribed from time to time by the Clearing House. Copies of the prescribed forms, for each ATP, are available from the Clearing House Membership department +44 (0)207 426 7627/7063/7521.

Failure to complete and submit the correct Static Data Form in respect of the particular ATP and in respect of the particular type of EquityClear Trade may result in the rejection of trades.

Any Clearing Member wishing to opt into cross trade participant netting arrangements must make prior contact with the Clearing House Membership department. Amendment to a Clearing Member's existing Static Data Form is only anticipated where the Member wishes to engage in the settlement netting arrangements between BICs.

#### 2D.2.7 **Submission of EquityClear Trades flagged as "agency"**

A Clearing Member of the Clearing House is not permitted to "self-clear" any EquityClear trade entered into by that Clearing Member in an agency capacity ("an Agency Trade"). If any such Agency Trade is submitted to the Clearing House for registration by or on behalf of a Clearing Member ("the Submitting Member") and that Submitting Member does not have appropriate valid clearing arrangements in place, which have been notified to the Clearing House, to enable another Clearing Member to become counterparty to the Clearing House in respect such Agency Trade, the Clearing House will:

- (i) advise the ATP upon which such Agency Trade was executed that the Submitting Member has failed to comply with this requirement;
- (ii) treat the Agency Trade as one executed by/for the Submitting Member acting in a principal capacity on the relevant ATP; and
- (iii) require the Submitting Member to amend its records in order to show that the Agency Trade was an EquityClear trade executed for that Clearing Member acting in a principal capacity on the relevant ATP;

The relevant ATP will notify the trading parties of the failure to comply with this requirement.

Clearing Members should note that:

- (iv) the prohibition set out above on "self-clearing" does not apply to EquityClear trades of NCMs; and

- (v) an ATP may cancel the Agency trade and re-submit it as a Principal trade.

## 2D.3 **REGISTRATION**

### 2D.3.1 **General**

The Clearing House will only accept EquityClear Trades submitted from an ATP in a message format and manner acceptable to the Clearing House. Each EquityClear Trade must pass the Clearing House's validation procedures to enable it to be registered.

With regard to London Stock Exchange business, such validation procedures are carried out by Euroclear UK and Ireland (EUI) on the Clearing House's behalf. Each Clearing Member authorised to participate in EquityClear and each NCM must be familiar with the operating procedures and deadlines of the ATPs in respect of which they have been approved by the Clearing House.

Each Clearing Member and each NCM requires the express written approval of the Clearing House in respect of each ATP from which EquityClear Trades are to be submitted. Details of how such approval may be obtained are available from the Clearing House's Membership department on +44 (0)20 7426 7627/7063/7521.

### 2D.3.2 **Intra-Day Registration**

The Clearing House registers all EquityClear Trades on an intra-day basis. Registration occurs when they pass all of the Clearing House's validation procedures.

For EquityClear Trades in Equities originating from the London Stock Exchange, this process is carried out by EUI on behalf of the Clearing House.

### 2D.3.3 **Rejected Trades**

Trades and all associated trades, submitted for registration which:

- (i) do not meet the relevant EquityClear eligibility criteria or other registration criteria where applicable; or
- (ii) have as their subject instruments which are not EquityClear Eligible Securities as prescribed for the relevant ATP; or
- (iii) contain invalid or incomplete message data; or
- (iv) for any other reason are not eligible for registration,

will be rejected by the Clearing House.

The Clearing House will then make contact with the Clearing Members concerned and/or the operator of the relevant ATP in order to seek to rectify the problem. It may be the case that the problem can be resolved and the trade re-submitted for registration. If, however, the trade still falls within any of sub-sections (i) to (iv) above, and the Clearing House does not register that trade, the submitting Clearing Members will be contacted and notified of the reason for rejection.

Clearing Members are requested to note that eligible EquityClear Novation Transactions must be executed, matched and submitted for registration prior to the relevant ATP market deadline for registration to take place that day. Any EquityClear Novation Transactions submitted after that time will be rejected.

Clearing Members should note that when a trade is rejected by the Clearing House, no EquityClear Contracts arise between the Clearing House and the EquityClear Clearing Members concerned. Subject to Regulation 39(e), the Clearing House has no liability in respect of such rejection.

## 2D.4 **ACCOUNTS**

### 2D.4.1 **Clearing Member Accounts**

For identification purposes each Clearing Member is assigned one or more unique three-character mnemonics. A Clearing Member's position and financial information are further identified by a single character code: H for house business; and C for segregated client business. The H account is obligatory, the C account is optional.

### 2D.4.2 **Financial Accounts**

Clearing Member Accounts have Financial Accounts associated with them. These are used, among other things, to record cash balances, and Instruments/documentary credits. Information contained within position-keeping accounts is mapped to financial accounts, as follows:

Trading Account		Financial Account	
H	House	H	
C	Client	C	

### 2D.4.3 **Other Financial Accounts**

Each Clearing Member's Default Fund Contribution is held on a separate financial account. In accordance with the Default Fund Rules this account attracts a rate of interest of 3 month LIBOR + 1%. The Default Fund financial account is designated by the single character code F.

At the Clearing House's discretion, further financial accounts, used only to record financial balances, may be opened. These will similarly be designated using a single character code: B for buffer accounts, holding additional deposits.

## 2D.5 **MARGINING**

The Clearing House will margin all the outstanding EquityClear Contracts of each Clearing Member. Margin is made up of two basic components:

- (i) Initial Margin; and
- (ii) Variation Margin.

The two components are described below. Further detail on the margining of EquityClear Contracts is available from the LCH ERA® Technical Information Pack, which is available on LCH.Clearnet's website at [www.lchclearnet.com](http://www.lchclearnet.com).

Further questions should be directed to the Clearing House Risk Operations department on +44 (0)20 7426 7520.

Separate initial and variation margin calculations are performed for a Clearing Member's house (H) and client (C) account; no offset between these accounts is allowed. Each account will be margined on a net basis.

#### Initial Margin

The Clearing House will require Clearing Members to post initial margin. Initial margin will be determined by the LCH ERA<sup>®</sup> algorithm.

#### Variation Margin

Variation Margin represents the change in value of each open EquityClear Contract from the value at the time of trade to the current market value or from the previous closing price to the current market value for EquityClear (ccCFD) Contracts which were not traded that same day.

Variation Margin in respect of EquityClear (Equities) Contracts will be in non-realised or contingent form, i.e. it will be in the form of a credit or debit posted to member's accounts. In order to cope with step changes in variation margin due to the settlement cycle the Clearing House will restrict the use of credit variation margin just ahead of settlement. Further information on the restriction can be found in the ERA<sup>®</sup> technical information pack.

Variation Margin in respect of EquityClear (ccCFD) Contracts is realised. The relevant contracts are settled to market daily and any profit or loss is credited to or debited from a Clearing Member's financial accounts on a daily basis. Variation Margin on an accrued Cash Equivalent Dividend Payment will be in contingent form.

#### Margin Parameters

The margin parameters for LCH ERA<sup>®</sup> used in the initial and variation margin calculation will be made available by the Clearing House on the web site. In the event of changes to parameters Clearing Members will be notified as soon as possible of amendments and no later than the day before calls are made based upon the new parameters.

#### Intra-day Margin Calls

The Clearing House will calculate each Clearing Member's initial and variation margin on a routine basis at several points throughout the day. The Clearing House will make an intra-day adjustment to a Clearing Member's liabilities at 13:00 hours each day using market prices and Clearing Members' positions at 12:30 hours. In the event that a Clearing Member has insufficient cover with the Clearing House an intra-day PPS call will be issued. Times given are London time.

In addition, the Clearing House reviews the initial and variation margin requirements of each Clearing Member throughout the day. In the event of an increase in the initial and variation margin requirements the Clearing House will make further intra-day adjustments on a Member specific basis. In the event of a Member having insufficient cover the Clearing House will make further intra-day

calls. Clearing Members should ensure that they are, at any point throughout the day, in a position to meet a PPS call.

Note: LCH ERA<sup>®</sup> is the registered trade mark of LCH.Clearnet Limited

## 2D.6 **FINANCING FOR CCCFDS**

For spot style ccCFDs, such as ccCFD equity, ccCFD index and ccCFD spot style commodity, a cost of carry (the cost of holding the derivative) is not priced into the ccCFD itself but rather is exchanged between buyers and sellers separately on a daily basis.

For futures style ccCFDs with expiry dates, such as some ccCFD commodity and all ccCFD bond, the cost of carry is priced into the CFD and is thus not exchanged as a separate cash flow.

For equity ccCFDs, the cost of carry/financing is made up of the appropriate bank rate applicable to the currency of the underlying equity (e.g. LIBOR) and a spread component (combined into one financing price) and is based on the overnight value of a Clearing Member's position.

For non-equity spot related ccCFDs, the cost of carry refers only to the appropriate bank rate (e.g. Fed Funds).

On a daily basis margin and financing calculations are applied, and where appropriate, Positions impacted by corporate event activity are updated.

The financing component is paid by the ccCFD buyer to the seller and is calculated on a net position per stock/position, which is aggregated to the House or Client account level.

All cash obligations are paid daily via PPS.

## 2D.7 **INSOLVENCY AND DEFAULT**

### 2D.7.1 **Insolvency of an Issuer**

For the avoidance of doubt, Members are advised that their obligations set out in the Rulebook, including these Procedures, and any other relevant agreements with the Clearing House including but not limited to obligations regarding clearing, settlement and delivery of EquityClear Eligible Instruments continue notwithstanding any suspension of trading in such Instruments on any ATP and notwithstanding that the Issuer of such Instruments (or the instrument underlying an EquityClear Eligible ccCFD) passes a resolution or the court makes an order for the winding up of the Issuer or a receiver, administrative receiver, administrator, trustee or similar officer is appointed in respect of all or any part of its undertaking, or the Issuer enters into a composition or voluntary arrangement with or for the benefit of its creditors, or the Issuer is nationalised, or any other event of a similar nature to any of the above occurs.

Where settlement of any EquityClear Eligible Instruments cannot take place because of a court, administrative or regulatory order or because of an insolvency event affecting the Issuer of such instruments (or the instrument underlying an EquityClear Eligible ccCFD), or any of the above, the Clearing House may in its discretion, give notice to Clearing Members who are party to open EquityClear

Contracts in respect of those Instruments, that such Contracts will be cash settled at such price as the Clearing House may set in its reasonable discretion. Clearing Members should note that in such circumstances the reference price may be NIL.

#### 2D.7.2 **Default of an NCM or ATP member clearing through another CCP**

In the event that an NCM (“the Defaulting NCM”) is declared to be in default by the ATP of which it is a member in accordance with the default rules of that ATP, the Clearing Member with whom that NCM has a subsisting NCM-GCM Agreement, (“the Responsible Member”) remains fully responsible for meeting all obligations to the Clearing House in respect of all EquityClear Contracts arising from EquityClear trades executed on that ATP or any other ATP (“the Affected EquityClear Contracts”) by or on behalf of that NCM. Similarly where a member of an ATP clearing through another CCP (directly or indirectly) is declared to be in default by that ATP or another CCP, the other CCP remains fully responsible for meeting all obligations to the Clearing House in respect of all EquityClear Contracts arising from the EquityClear trades executed on that ATP by that defaulting ATP member.

In respect of ccCFDs, Clearing Members are fully responsible for meeting all obligations to the Clearing House in respect of EquityClear (ccCFD) Contracts notwithstanding the default of an NCM.

Clearing Members should be aware that where settlement netting arrangements are in place (see Section 2D.11), the default of an NCM before net settlement occurs in respect of the Affected EquityClear Contracts, may result in the Clearing Member who is GCM for that NCM being responsible for meeting the underlying gross settlement obligations in respect of those Contracts.

Without limiting the generality of the above, the Responsible Member must comply with the following requirements with regard to settlement of the Affected EquityClear Contracts:

##### 2D.7.2.1 Settlement by the Responsible Member

In the event that immediately prior to the default of the Defaulting NCM, the Responsible Member was itself maintaining and providing the necessary settlement arrangements in the system of the ASP for the settlement of Affected EquityClear Contracts, then, notwithstanding the declared default of that Defaulting NCM, and notwithstanding any failure by the Defaulting NCM to fulfil any obligation it may have to the Responsible Member, the Responsible Member remains obliged to complete settlement of all unsettled Affected EquityClear Contracts.

##### 2D.7.2.2 Settlement by Settlement Agent of the Defaulting NCM

Notwithstanding that the Defaulting NCM has appointed a Settlement Agent, other than the Responsible Member, to maintain and provide the necessary settlement arrangements in the system of the ASP to carry out the settlement of Affected EquityClear Contracts, the Responsible Member remains under an obligation to the Clearing House to ensure settlement of unsettled Affected EquityClear Contracts, and the Clearing House will, as soon as reasonably practical following notification to it of the default, take all necessary action to introduce new settlement instructions into the system of the relevant ASP against the Responsible Member or its Settlement Agent. In such circumstances the

Responsible Member or its Settlement Agent, must immediately or as soon as reasonably practical, match against such new instructions, and subsequently settle such transactions according to the rules of the ASP and these Procedures.

#### 2D.7.2.3 Settlement by the Defaulting NCM

In the event that the Defaulting NCM was itself immediately prior to the default declaration maintaining settlement arrangements in the system of the ASP for the settlement of Affected EquityClear Contracts, the Responsible Member remains under an obligation to the Clearing House to ensure settlement of unsettled Affected EquityClear Contracts, and the Clearing House will, as soon as reasonably practical following notification to it of the default, take all necessary action to introduce new settlement instructions into the system of the relevant ASP against the Responsible Member or its Settlement Agent. In such circumstances the Responsible Member or its Settlement Agent, must immediately or as soon as reasonably practical, match against such new instructions, and subsequently settle such transactions according to the rules of the ASP and these Procedures.

### 2D.8 **SUSPENSION OF ANY EQUITYCLEAR OPEN OFFER AND/OR EQUITYCLEAR NOVATION IN RESPECT OF AN NCM**

2D.8.1 At any time while a valid EquityClear NCM-GCM Agreement is in operation the Clearing Member party to such Agreement may request suspension of the EquityClear Open Offer and/or the EquityClear service (including, where applicable, registration of EquityClear Novation Transactions) in respect of any ATP with regard to the NCM which is party to that agreement. Such request must be made in accordance with these procedures. Clearing Members should note that the following provisions are applicable only to a request for suspension made under the relevant provision of the applicable EquityClear NCM-GCM Agreement. They do not apply to the Clearing House's powers (as set out in Regulations 65) to suspend any part of the EquityClear Service or any of the EquityClear Open Offers or registration of EquityClear Novation Transactions (where applicable) generally. These powers may be exercised in such manner as the Clearing House deems appropriate in the circumstances.

2D.8.2 A request for suspension of any NCM may only be made by a Clearing Member if that Clearing Member shall have previously given notice to the Clearing House's Risk Management department in writing setting out the following matters:

(i) a list ("the Authorised List") of the names, telephone and fax numbers (and email addresses where applicable) of each person ("Authorised Person") who is authorised from time to time by that Clearing Member to make any such suspension request. The Clearing Member may from time to time add or remove any names, and accompanying particulars from such list;

(ii) a specimen of the signature of each person whose name appears on the Authorised List.

2D.8.3 A request to suspend may be made either by telephone or in writing to the Clearing House by any person whose name appears on the Authorised List at the time of such request.

2D.8.4 The Clearing House may rely on any written request for suspension which reasonably appears to the Clearing House to be given by any Authorised Person

without any need for the Clearing House to make any checks or carry out any verification regarding the origin or authenticity of such a request. The Clearing House may also rely upon telephone request for suspension providing that it forms the reasonable opinion that the giver of such request is an Authorised Person. The Clearing House shall be under no obligation to inquire into the authority of the signatory of any such written request for suspension or the giver of any such telephone request, nor to inquire into the reasons for any such requested suspension.

2D.8.5 A request for suspension may only be made if prior notice of the Clearing Member's intention to make such request has been given to any ATP in respect of which the Clearing Member wishes the suspension to be operative.

2D.8.6 Where the NCM is on the Register of NCMs for more than one ATP:

- (i) the request must identify whether suspension is sought in respect of specific ATPs; and
- (ii) in the absence of any express request to the contrary, the Clearing House will assume that period of suspension requested is the same in respect of all ATPs.

Any request for suspension, whether made by telephone or in writing, shall contain the following information. (In the absence of any part or parts of the following information from such request, the Clearing House may decline to give effect to such request):

- (iii) the name of the requesting Clearing Member;
- (iv) the name and address of the NCM as it appears on the relevant EquityClear NCM-GCM Agreement/s to which the Clearing Member and the NCM are part;
- (v) the requested date and time for commencement and end of suspension. In the event of a telephone request, the Clearing Member may request suspension to take effect from a time no earlier than 1 hour from the time of the telephone call. In respect of a written request, the Clearing Member may request suspension to take effect from a time no earlier than 3 hours from the time of receipt by the Clearing House of such written request. Where the Clearing Member does not wish to nominate an end date and time for the suspension, it may request indefinite suspension providing a start date and time is nominated;
- (vi) the name, telephone number and fax number and/or email address of the person with whom the Clearing House may communicate in respect of such request and any subsequent suspension;
- (vii) the date and time of notification to each relevant ATP of that Clearing Member's intention to request suspension and the identity and telephone number of the person to whom such notification was given.

2D.8.7 Any telephone request for suspension may only be made to the following telephone number and during the following times:

The Clearing House Risk Operations department – +44 (0)20 7426 7520

08:00 – 18:30 hours London time on any Business Day

It must promptly be confirmed by facsimile (addressed to the Head of Risk Management, LCH.Clearnet Limited) sent to the following number +44 (0)20 7667 7351.

Any written request for suspension must be addressed to the Head of Risk Management, LCH.Clearnet Limited, and marked “Urgent – NCM suspension request”. It must be received by the Clearing House during the hours of 09:00 - 17:30 hours London time on any Business Day. Delivery may be made by post, or courier.

2D.8.8 Requests for suspension, may not be made in any manner or form other than is set out above:

Following receipt of such a request for suspension, the Clearing House may in its absolute discretion but without being under any obligation to do so, make such inquiries of the requesting Clearing Member, relevant NCM, each relevant ATP and each relevant ASP and such other persons as it considers appropriate in the circumstances.

2D.8.9 In the event that the Clearing House receives a request for suspension, it will use its reasonable endeavours to give effect to it in accordance with Section 2D.8.10. However, it shall be under no obligation to give effect to that request for suspension where the Clearing House in its absolute discretion believes that to do so would damage the integrity of the Clearing House, cause disruption or disorder to any relevant market or expose the Clearing House to any unacceptable risk.

2D.8.10 For these purposes the following constitutes giving effect to a request for suspension of any EquityClear Open Offer and/or suspension of registration of EquityClear Novation Transactions (where applicable) by the Clearing House in respect of an NCM:

2D.8.11 Notification to any ATP identified in the request for suspension, in accordance with such procedures as may be agreed from time to time with that ATP, that the Clearing House will, for the period of time stated in such notification (“the period of suspension”) withdraw the relevant Open Offer in respect of, and decline to register, any EquityClear trade executed by or on behalf of that NCM. Where no such period is stated, then the Clearing House will state the time and date from which it will decline to register any EquityClear trades of that NCM until further notice (that period being the “period of suspension”).

2D.8.12 During the period of suspension the Clearing House will be entitled to decline to register any EquityClear trade executed by or on behalf of the NCM on any ATP to which notification has been given as set out in Section 2D.8.10 above.

2D.8.13 Notwithstanding any such suspension, the Clearing Member who requested the suspension will continue to be bound by its obligations as set out in the relevant EquityClear GCM-NCM Agreement and under the Regulations and these Procedures in respect of any EquityClear trade (and any subsequent EquityClear Contract arising from it) executed before or during the period of the suspension and thereafter for so long as that Agreement subsists, including but not limited to the fulfilment of its obligations to the Clearing House in respect of any EquityClear

trade which is submitted for registration and is registered by the Clearing House during the period of the suspension.

- 2D.8.14 When the Clearing House carries out any suspension, in respect of any NCM, it will use its reasonable endeavours to notify that NCM of the fact and length of the suspension, but the failure or omission to give any such notice to that NCM will not give rise to any liability whatsoever on the part of the Clearing House with regard to any EquityClear trade/s rejected by the Clearing House during the period of suspension, or otherwise.

Clearing Members should note that the Clearing House is under no obligation to notify that NCM that it has received a request to suspend. The Clearing Member requesting suspension should ensure that the relevant NCM is aware of that Clearing Member's intention to request suspension.

## 2D.9 **MATCHING PROCEDURES**

### 2D.9.1 **Matching**

#### Chi-East Australia

In respect of Chi-East Australia business, Clearing Members, or their settlement agents where applicable, are required to match LCH instructions using the 'F' flag in the Transaction Basis field on the CHES system to indicate that the trade has been executed off exchange. It should be noted any settlement which results from off exchange trades is not protected by the National Guarantee Fund, administered by Securities Exchanges Guarantee Corporation in Australia.

#### 2D.9.1.1 Power of Attorney

Where fulfilment of an EquityClear Contract requires settlement via an ASP, the Clearing House in respect of some ASPs (see appendix 2D.E) and in respect of those Clearing Members who hold accounts at the Clearing House's Settlement Agent, operates a Power of Attorney facility. The Clearing House requires EquityClear Clearing Members to provide a Power of Attorney in respect of each ASP or the Clearing House's Settlement Agent, where applicable. Where an EquityClear Clearing Member wishes settlement to be carried out by an NCM or a settlement agent, that NCM or settlement agent must also provide the Clearing House with a Power of Attorney. Under the Power of Attorney, the Clearing House sends settlement instructions to the relevant ASP on behalf of the EquityClear Clearing Member, NCM or settlement agent (as the case may be). The Power of Attorney may also be used by the Clearing House to make "free of payment" transfers or cash only transfers where, settlement netting processes, or corporate events make this necessary. Use of the power by the Clearing House facilitates prompt matching of settlement instructions at the relevant ASP and thus helps to eradicate settlement failure caused by lack of timely matching.

The Power of Attorney must be given in the form approved by the Clearing House or the ASP, for use in connection with the relevant ASP. Copies of the Clearing House approved forms are available from the Clearing House's Membership Department on +44 (0)20 7426 7627/7063/7521. ASP approved forms are available directly from the ASP.

Where no Power of Attorney is operated by the Clearing House in respect of an ASP, Clearing Members who carry out settlement themselves or those persons

acting as Settlement Agents must input all matching instructions directly to the ASP. In such a case they must match all settlement instructions alleged against them by the Clearing House. In order for matching to occur, each relevant field of data must be populated in respect of each EquityClear trade. It is the responsibility of each member to know and abide by the matching criteria and procedures at each ASP.

In certain circumstances, Clearing Members may request that the Clearing House sends the relevant instructions directly to the Clearing Member's Settlement Agent for input to the ASP, provided that the relevant Settlement Agent will accept such instructions. Where this facility is available and Clearing Members wish to use it it shall be without recourse to the Clearing House.

#### 2D.9.1.2 CREST Eligible Securities

Clearing Members who carry out settlement themselves and those persons acting as Settlement Agents may input all settlement instructions for themselves if they so wish. In such a case, they must manually match all settlement instructions alleged against them by the Clearing House.

Clearing Members may also use the CREST Central Sponsorship arrangements whereby a central sponsor inputs settlement instructions on their behalf. Full detail of these arrangements may be obtained from EUI.

Clearing Members (and their Settlement Agents) may opt into central sponsorship ("direct input") for EquityClear trades in CREST securities.

In the case of the LSE's SETS trades, EUI performs the role of central sponsor. For the CREST eligible trades across other ATP's, the Clearing House or its Settlement Agent may act as central sponsor.

It should be noted that when a CREST Participant elects on the CREST system to avail himself of central sponsorship the central sponsor is able directly to input settlement instructions on its behalf. The instruction input by the central sponsor will then match with an instruction input by the Clearing House (on its own behalf), or by EUI as central sponsor for the Clearing House in the case of LSE trades.

Clearing Members and their Settlement Agents who opt to net EquityClear trades for delivery with regard to any ATP have the choice of whether to input the net instruction themselves or to use "direct input" (i.e. settlement instructions being input by the central sponsor). EUI will permit central sponsorship arrangements to be conducted with regard to gross settlement or net settlement. Clearing Members are advised to consult the relevant CREST documentation for further details. Clearing Members may opt to have different arrangements in place for different ATPs.

#### EquityClear trades – LSE

EUI will act as central sponsor for those Clearing Members and Settlement Agents who wish to take advantage of this arrangement. Clearing Members should contact EUI for further details.

The contractual provisions governing the operation of central sponsorship for CREST members are set out at Schedule 4 of EUI terms and conditions.

EquityClear trades – ATPs

Clearing Members and Settlement Agents may appoint the Clearing House to act as central sponsor. Schedule 4 of EUI's terms and conditions will apply to the resulting relationship between the Clearing House or its agent and the CREST Participant.

## 2D.9.2 **Unmatched Transactions**

2D.9.2.1 Where fulfilment of EquityClear Contract requires settlement via an ASP and where no Power of Attorney system is operated by the Clearing House for the ASP in which settlement will take place (see section 2D.9.1.1), Clearing Members must ensure that they have matched successfully with the Clearing House in respect of each EquityClear Contract by the close of the system of the ASP on Trade Date plus one business day (T+1). In the event that matching does not occur with regard to any EquityClear Contract by the time set out above, the Clearing House shall nevertheless continue to calculate and call cover for margin with regard to the Contract.

2D.9.2.2 If matching does not occur (in respect of either an individual transaction or a net settlement transaction) but a Clearing Member reasonably believes that this has been caused by incorrect or incomplete data being held by the ASP in respect of an EquityClear Contract to which that Clearing Member is party, it is the responsibility of that Clearing Member promptly to inform the Clearing House and immediately to provide details to the Clearing House. In the event that the Clearing House receives no such details from a Clearing Member it will be entitled to act on the basis that all details, which it has received of that EquityClear Contract (or any transaction created by the ASP for the purposes of net settlement) are correct and that the Clearing Member has failed to match as required by these Procedures.

2D.9.2.3 The Clearing House will monitor matching performance by Clearing Members or their Settlement Agents. In cases of persistent poor matching performance by or on behalf of any Clearing Member, the Clearing House may notify such Clearing Member with a view to improving performance.

Failure to meet the requirements set out above may result in delay or failure in the settlement process. Any costs and expenses incurred by the Clearing House due to any such delay or failure may be charged directly to the Clearing Member through the Clearing Member's relevant PPS account.

## 2D.10 **POSITION MANAGEMENT FOR CCCFDS**

Equity, index and spot commodity cleared ccCFDs are all daily rolling cash transfer contracts effectively giving them infinite duration (meaning they do not expire) and do not result in physical settlement in ASPs like cash equities. To close an open ccCFD position, an equal and opposite trade must be performed.

Futures style commodities and rates/bonds ccCFDs will track the futures equivalent prices, which are derived from the relevant ATP, and will expire at given intervals in accordance with the contract terms.

Upon registration in a Clearing Member's account, an EquityClear (ccCFD) Contract will be netted with any existing EquityClear (ccCFD) Contract for the

same underlying instrument. The resulting profit or loss will be credited to or debited from the Clearing Member's account daily via PPS.

## 2D.11 **SETTLEMENT MANAGEMENT**

### 2D.11.1 **Cash Settlement of ccCFD Contracts**

The Clearing House will cash settle offsetting EquityClear (ccCFD) Contracts as described in Section 2D.10.

Notwithstanding Section 2D.10 the Clearing House reserves the right to cash settle ccCFD positions where it deems appropriate, including, where a Clearing Member has a short position in particular Eligible Instruments which is recalled.

#### 2D.11.1.1 Stock Recalls

In the event that the Clearing House instigates a cash settlement due to a particular Eligible Instrument being recalled, then the Clearing House will cash settle the relevant short ccCFD positions on a pro-rata basis. Members will be contacted by the Clearing House to advise of the ccCFD positions to be closed, the reference price and the relevant amounts to be credited/debited through PPS.

#### 2D.11.1.2 Error Trades

Clearing Members must inform the Clearing House of any suspected Error Trades by no later than 12:00pm on Trade Date plus one business day, providing the relevant ATP trade details. If the ATP deems the trade to be in error under their rules, the ATP will identify the counterparty to the trade(s) and inform them that the trade(s) will be cancelled with immediate effect. The Clearing House will ensure that the relevant ccCFD positions are adjusted and that any financing payments as detailed in section 2D.6 are adjusted to reflect the trade cancellation. Any corporate events that may have occurred between trade date and trade date plus one will also be amended as required.

#### 2D.11.2 **Intended Settlement Date**

Unless the Clearing House provides otherwise by circular, the intended settlement date (**ISD**) of an EquityClear Contract will be determined by the rules of the ATP on which the original trade was executed, or, where those ATPs do not set a settlement date, by the rules of the home market of the underlying EquityClear Eligible Security (as may be varied by the Clearing House to take account of local currency holidays).

The Clearing House will instruct settlement into the ASP accordingly.

#### 2D.11.3 **Requirement to have sufficient cash and securities**

A Clearing Member who is a buyer in respect of an EquityClear Contract must ensure that:

- (i) it has sufficient cash and/or credit facilities in place in respect of its nominated cash accounts held by the relevant ASP; and
- (ii) the settlement priority settings in the system of the relevant ASP permit EquityClear Contracts to which it is party,

to enable settlement on the intended settlement date.

A Clearing Member who is a seller in respect of an EquityClear Contract must ensure that it has sufficient EquityClear Eligible Instruments held in the relevant settlement system of the ASP and available for use on the ISD to enable EquityClear Contracts to which it is a party to settle.

Failure of a Clearing Member to meet the requirements set out above may result in delay or failure in the settlement process. Any costs and expenses incurred by the Clearing House due to such delay or failure may be charged directly to the Clearing Member through the Clearing Member's relevant PPS Account.

#### 2D.11.4 **Splitting**

The Clearing House's net position will always be zero in any EquityClear Eligible Security.

However, it is possible that if the Clearing House as buyer does not receive delivery of all the securities to satisfy its position, then the Clearing House may not have sufficient securities to completely fulfil its own delivery obligations as seller in respect of larger netted positions. This can result in the Clearing House holding an amount of securities that it cannot pass on.

If the Clearing House's holding of an EquityClear Eligible Security is insufficient to fulfil a larger delivery obligation, then in order to reduce overnight financing costs and the risk associated with corporate action processing, the Clearing House may split its fulfilment of that obligation into multiple deliveries. In practice, this will be performed by the Clearing House without the need for counterparty confirmation. Some ASPs offer an auto-splitting service and the Clearing House will use these services where it is available and suitable to its needs.

Where a suitable auto-splitting service is not available, the Clearing House will instruct its own splitting (where permitted by the ASP). This may involve cancelling the settlement instruction and splitting the cancelled transaction into two or more new (replacement) transactions, and then sending those replacement settlement instructions to the Clearing House's Settlement Agent.

If manual splitting requires Clearing Members to rematch, the Clearing House will advise its Clearing Members and agree the relevant details. Clearing Members will then be required to match the Clearing House's cancellation and rematch the subsequent new instructions as per the Clearing House's advice.

Where splitting is possible at an ASP, the Clearing House and Clearing Members must comply by the relevant market deadlines to ensure settlement. Any costs incurred due to failure to instruct prior to the deadline after agreeing previously to do so will, will be passed onto the relevant Clearing Member.

It should be noted that Selling Members can initiate splitting of trades:

- (i) where it can be initiated unilaterally in an ASP; or
- (ii) where bilateral instructions are required, by prior agreement with the Clearing House.

### 2D.11.5 **Shaping**

In those markets where the ASP does not allow splitting, the Clearing House may shape transactions prior to instruction on trade date in order to ensure it maximises liquidity for settlement.

Shaping will be applied per ISIN and quantities will be determined according to the value of the securities. Clearing Members are required to match such shapes as determined by the Clearing House.

If an ASP specifies a cash or stock limit per transaction, the Clearing House will shape transactions accordingly.

### 2D.11.6 **Netting**

Where the rules of the relevant ATP and ASP permit, the Clearing House will allow Clearing Members to settle their EquityClear Contracts on a net basis. However gross settlement will occur where either it is mandated in the market for settlement or where the Clearing House allows gross settlement of EquityClear Contracts and Clearing Members opt to settle gross.

Clearing Members participating in net settlement arrangements should familiarise themselves with the rules of the relevant ATP and ASP.

For the avoidance of doubt, this Section 2D.11 does not relate to the netting of margin.

#### Aggregation

In certain circumstances, Clearing Members may opt to settle on an aggregate basis, across all of their buys and sells. Details of the various aggregation options can be found in the Service Description documentation.

#### Cross Trade Source Netting

In addition, where the rules of the relevant ATP and ASP permit, the Clearing House will allow Clearing Members the option to settle their EquityClear Contracts on a single net basis across selected ATP's.

#### 2D.11.6.1 Trade date netting

If a Clearing Member elects to settle on a net basis, the Clearing House will net that Clearing Member's obligations on a trade date basis. Trade date netting will be applied to EquityClear Contracts:

- (i) for a particular EquityClear Eligible Security
- (ii) that arise from trades executed on the same trade day;
- (iii) with the same settlement date;
- (iv) in the same currency and reported for settlement through the same ASP cash account and security account (for example, in the case of CREST, this will be the same CREST participant member account; in the case of Euroclear, this will be the same settlement account; and in the case of SIX SIS, this will be the same B.P. ID); and

- (v) in accordance with any other relevant requirements prescribed from time to time by the relevant ATP and ASP.

If an EquityClear Contract is eligible for trade date netting, that contract will be referred to as a "Nettable Contract".

Where permitted by the laws, rules and regulations (including tax laws) of the relevant jurisdictions, the Clearing House will allow Clearing Members to net settlement positions in one EquityClear Eligible Security ISIN code across ATP's. The provision of such service is subject to there being no regulatory prohibition and there being no prohibition on such netting in the rules and regulations of the relevant ATPs. Prior to providing such service, the Clearing House will give the relevant ATPs notice of the Clearing House's proposed action and will obtain the consent from each Clearing Member.

#### 2D.11.6.2 Net settlement

In order to settle net, a Clearing Member (or its relevant Settlement Agent and NCM) must comply with the requirements set out in this Section 2D.11 and the rules of the relevant ATP and the ASP.

If a Clearing Member enables settlement netting in an ASP, the Clearing House will treat that arrangement as the Clearing Member's agreement to participate in net settlement for all Nettable Contracts. In particular, the Clearing Member agrees to:

- (i) the delivery to it by the Clearing House or receipt by it from the Clearing House of a net amount of EquityClear Eligible Instruments in respect of the relevant Nettable Contracts, in accordance with the rules of the relevant ATP and ASP; and
- (ii) the payment to it by the Clearing House or payment by it to the Clearing House of a net amount of cash in respect of the relevant Nettable Contracts, through the relevant cash account of the ASP.

In each case, delivery or payment of the net amount under such settlement netting arrangements, in accordance with these Procedures and all applicable rules and procedures of the relevant ATP and ASP, will constitute full and final performance of the delivery or payment obligations between the Clearing House and the relevant Clearing Member in respect of each Nettable Contract.

Member reports of netted trades are available via extranet reporting ([www.lchclearnet.com](http://www.lchclearnet.com)).

#### 2D.11.6.3 Nettable Contracts settled in EUI

If a Nettable Contract is settled in EUI and the Clearing House uses CREST CCP Services, a Clearing Member must set its CREST member account to allow settlement netting with the relevant LCH.Clearnet account.

It should be noted that trades in Irish Securities traded on an agency basis will only be settled on a gross basis.

## 2D.11.6.4 Non-Standard Nets

Netting can result in both standard and non-standard nets. The types of nets are laid out in the table below.

<b>Description</b>	<b>Stock</b>	<b>Cash</b>
<b>Standard nets</b>		
Delivery versus payment (DVP)	Deliver	Receive
Receipt versus payment (RVP)	Receive	Deliver
<b>Non-Standard nets</b>		
Delivery free of payment (DFP)	Deliver	Net to 0
Receipt free of payment (RFP)	Receive	Net to 0
Delivery with payment	Deliver	Deliver
Receive with payment	Receive	Receive
Cash payment	Net to 0	Deliver
Cash receipt	Net to 0	Receive
Null settlement	Net to 0	Net to 0

Clearing Members must ensure that, where appropriate, they match the netted instructions sent to the relevant ASP or their Settlement Agent by the Clearing House.

Where the Clearing House is due to pay cash only, it will instruct the relevant ASP or its Settlement Agent to credit an account nominated by the Clearing Member (or the account of the Clearing Member's Settlement Agent).

Where the Clearing House is due to receive cash only, Clearing Members must ensure that the correct payment instruction reaches the Clearing House or the Clearing House's Settlement Agent (details as set out in Appendix 2D.E). However, where LCH uses CCP services at EUI cash only instructions will be automatically created and settled. Failure by the Clearing Member to pay cash on the settlement date may result in the Clearing House debiting the appropriate funding costs through that Clearing Member's PPS account. If the proceeds are still outstanding after 10 business days, the funds (together with the relevant funding costs) will be debited from the Clearing Member's PPS accounts.

Delivery with payment and Receive with payment net settlements will be split into stock only and cash only instructions and settled separately. The exception to this is CCP services within EUI, SIX SIS settlement and Euroclear Bank settlement which all allow for messages instructing securities and cash in the same direction.

The Clearing House will net on a daily basis net a Clearing Member's cash only payments by currency.

Details of the Clearing House cash payment instructions are listed in Appendix 2D.E.

Null settlements will generally not require an instruction to the relevant ASP or settlement agent. Where an instruction is required it will be generated and require

matching as necessary. Clearing Members participating in such net settlement arrangements should familiarise themselves with the rules of the relevant ATP and ASP.

#### 2D.11.6.5 Underlying obligations unaffected

Clearing Members should note that participation in net settlement arrangements does not in any way affect the existence or terms of the EquityClear Contracts that constitute any set of Nettable Contracts. Each EquityClear Contract remains in existence according to its terms until it is settled in accordance with these Procedures and the rules of the ATP from which it has arisen, save that participation in such arrangements provides for a permitted method of performance of the obligations to make or take delivery of the relevant EquityClear Eligible Instruments and consideration in respect of each such contract.

Accordingly, the underlying obligation or right to sell or buy the number of EquityClear Eligible Instruments referred to in each such EquityClear Contract and right or obligation to receive or pay the agreed consideration, remain valid and operative terms of such EquityClear Contract notwithstanding that a net settlement arrangement may be in place with the Clearing House.

#### 2D.11.6.6 Settlement netting at the Clearing House's discretion

The Clearing House's provision of settlement netting in accordance with this Section 2D.11 is at the Clearing House's discretion and without prejudice to its powers and rights under the General Regulations and Default Rules. In particular, the Clearing House may, in its absolute discretion, decline to participate in settlement netting following the issuance of a default notice to a Clearing Member.

#### 2D.11.7 **Liability for settlement failures or delays**

The systems and procedures that enable or facilitate the settlement and delivery of EquityClear Eligible Instruments (including net settlement) are operated in respect of each ATP by a third party, being the ASP. The ASP's operation of those systems and procedures is governed by its own agreements with its members. The ability of the Clearing House to carry out its obligations to Clearing Members (including but not limited to those set out in any Clearing Membership Agreement and the Rulebook) with regard to settlement and delivery of any EquityClear Eligible Instruments arising from EquityClear Contracts may be affected by the relevant ASP's activities and its operation of the settlement and delivery system it provides. The Clearing House can accept no responsibility whatsoever if, as a result of any failure or omission by the ASP or any failure or omission occurring in the ASP's systems, the Clearing House fails to settle or deliver any EquityClear Eligible Instruments or cash consideration by the times set out in these Procedures or the rules of the ATP, or at all.

### 2D.12 **FAILED SETTLEMENTS**

2D.12.1 In the event that any delivery to the Buying Member or its agent of EquityClear Eligible Instruments in respect of any EquityClear Contract, including the delivery of any net amount of EquityClear Eligible Instruments in respect of any set of Nettable Contracts, has not been finalised by that Buying Member before close of settlement in the settlement system of the ASP on the ISD and this has been caused by the failure or omission to match by or on behalf of the Buying Member where a POA is not in place, or the failure or omission by that Member to have

sufficient funds available within that settlement system, the Clearing House may take steps to investigate and review the situation.

In the event that such failed settlement does subsequently take place and a cost is incurred by the Clearing House, the Buying Member will be liable to reimburse the Clearing House for all costs incurred. The Clearing House is entitled to collect such costs through the PPS and debit the appropriate PPS account of that Buying Member accordingly.

Where any delivery in respect of an EquityClear Contract, including the delivery of any net amount of EquityClear Eligible Instruments in respect of any set of Nettable Contracts, has not been finalised by or on behalf of the Selling Member prior to close of settlement in the settlement system of the ASP system on the intended date of settlement, the Clearing House shall treat this as a settlement failure.

The Clearing House will continue to charge initial and variation margin until settlement is achieved.

The Clearing House will monitor settlement performance by Clearing Members or their agents. In cases of persistent poor settlement performance by or on behalf of any Clearing Member, the Clearing House will be entitled in its discretion to increase Initial Margin requirements in respect of any EquityClear Contracts to which that Clearing Member is party.

#### 2D.12.2 **Buying-In**

A Buying Member who has not received settlement under an EquityClear Contract, including the delivery of any net amount of EquityClear Eligible Instruments in respect of any set of Nettable Contracts on ISD +5 (buy-in initiation day) may request the Clearing House to initiate the buying-in process, as detailed below, by completing and forwarding to LCH.Clearnet Business Operations by email or fax, the appropriate form entitled "Request to Initiation of Buying in Process", a specimen of which appears at Appendix 2D.C to these Procedures.

The Clearing House will only action such a Request if it is received by the Clearing House before 12:00 hours (Local business time) on the buy-in initiation day, any Request received by the Clearing House after 12:00 hours (Local business time) will be deemed to have been received on the following business day.

It remains the responsibility of the Buying Member to ensure that any "Request to Initiate the Buying-in Process" form has been received by the Clearing House, within the relevant timeframes and is in the correct format.

In the event that the buying-in process has not been initiated by ISD+30, or ISD +10 for Asian Instruments, the Clearing House, will instigate a buy-in under these Procedures.

##### 2D.12.2.1 **Buying-In: London Stock Exchange**

A Buying Member who has not received settlement of an EquityClear Contract can initiate the buying-in process in accordance with the service offered by, and deadlines set by the LSE, rather than direct to the Clearing House. Full details of the service is available on the below link.

<http://www.londonstockexchange.com/traders-and-brokers/rules-regulations/buying-in/submission-of-a-buying-in-request.htm>

#### 2D.12.2.2 Buying-In: Chi-East Australia

A Selling Member who has failed to settle a EquityClear Contract in Australia by ISD +2 will have their trade closed out in keeping with local market practice. This close out will be completed either by buying or borrowing the shares in the market. For all trades cleared by LCH this process will be completed by their Settlement Agent. Any fees or costs incurred will be passed back to the Selling Member. LCH will apply its buying-in process where necessary.

#### 2D.12.2.3 Buying-In: Depository Receipts

A Buying Member trading Depository Receipts cannot initiate a buy-in . The Clearing House will automatically instigate a buy-in on ISD+30 under these Procedures.

#### 2D.12.2.4 Buying-In: Exceptional Turquoise Norwegian Contracts

As soon as reasonably practical the Clearing House will contact Clearing Members who have failed to deliver Exceptional Turquoise Norwegian Contracts to ascertain the reason for non-delivery. The Clearing House will request Clearing Members make the share transfer immediately within the settlement timetable as dictated by the Norwegian ASP VPS.

In the event that a Selling Member does not fulfil its delivery obligations in respect of any Exceptional Turquoise Norwegian Contracts on the intended settlement date, the Clearing House may, in order to satisfy the terms of that contract arrange in its absolute discretion to purchase or borrow the relevant amount of securities. When acting pursuant to this provision, the Clearing House is not obliged to have regard to or comply with any rules of Turquoise Derivatives London.

The Clearing House will provide the Selling Member with a written buying-in notice notifying the Selling Member of the intended date at which buying-in will take place. In the event that the Selling Member still does not deliver the relevant securities prior to the close of settlement in VPS on the date specified in the buying-in notice, the Clearing House will purchase or borrow the relevant number of securities required to satisfy the relevant Exceptional Turquoise Norwegian Contracts for the shortest settlement period possible and deliver them to the Buying Member. The Clearing House will delete its original transaction/s against the Selling Member in such circumstances.

Where the Clearing House has been obliged to purchase or borrow securities it will endeavour to settle the Exceptional Turquoise Norwegian Contracts within 5 business days.

Where a buying-in notice is issued and/or buying-in is carried out by or on behalf of the Clearing House, the Selling Member concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in so doing, and the Clearing House is entitled to debit the appropriate PPS account of that Selling Member with an amount equal to those costs and expenses. The Clearing House will charge an administration fee of £50 plus VAT to the Selling Member.

In certain circumstances, which will be specified by the Clearing House, Buying and Selling Members should be aware that the Buy-In process may be delayed or expatiated.

#### 2D.12.2.5 Buy-In Notice

Whether initiated by a Buying Member using the “Request to Initiate the Buying-in Process” form or instigated by the Clearing House, the Clearing House will issue a “Buy-in Notice” to the selected Selling Member(s) and/or their settlement agent informing them that a buy-in will be instigated on the fifth business day after the issue of such notice. The Clearing House will contact the Selling Member and/or their settlement agent to confirm receipt of the “Buy-in Notice”. If the Selling Member(s) still fails to deliver the relevant EquityClear Eligible Instruments prior to the close of settlement in the applicable ASP on the date specified in the “Buy-in Notice”, the Clearing House will attempt to purchase the securities required to satisfy the relevant EquityClear Contract or set of Nettable Contracts for the shortest settlement period possible and deliver them to the Selling Member. In certain circumstances, which will be specified by the Clearing House, Buying and Selling Members should be aware that the Buy-In process may be delayed or expedited.

Selling Members are reminded that, notwithstanding that a settlement agent might have been nominated, the Selling Member remains legally responsible for settlement and in the case where the Clearing House has any difficulty liaising with the settlement agent, the Clearing House will liaise directly with the Selling Member until the issue is resolved.

A Buying Member is not permitted to withdraw or amend a Buying-in request once it has been received by the Clearing House.

#### 2D.12.2.6 Clearing House Buying-in process

On the Buy-in Day as specified in the “Buy-In Notice”, the Clearing House will use commercially reasonable efforts to obtain the relevant EquityClear Eligible Instruments for the shortest settlement period possible. The Clearing House will match an instruction with its buy-in agent. The instruction will include the consideration and any transaction charges. The Clearing House will also match a similar instruction (including consideration and transaction charges) with the Selling Member.

It remains the responsibility of the Selling Member to ensure that the bought in transaction settles on the ISD and that the securities delivered by the Clearing House are used to settle the original outstanding transaction against which the Buy-in Notice was issued. If the securities are not used to satisfy the original outstanding transaction then the Clearing House will immediately instigate a further Buy-in.

In the event that the Selling Member fails to match the bought in transaction, the Clearing House will deliver the securities directly to the Buying Member and debit the PPS account of the failing party with the relevant buy-in costs. In such cases the Clearing House will cancel the original outstanding transaction or part thereof.

If the Clearing House is unable or for any reason fails to buy-in the full amount of such Securities on Buy-In Day, the Clearing House will use commercially reasonable efforts to buy-in thereafter. If, by the close of business on the sixtieth

business day after ISD, the Clearing House has not successfully bought-in the full amount of such Securities, the Clearing House may "Cash Settle" the relevant EquityClear Contract(s) pursuant to Section 2D.12.3.

#### 2D.12.2.7 Charges

Where a Buy-in Notice is issued, the Selling Member concerned will be liable to pay the Clearing House for all costs and expenses incurred by the Clearing House in issuing such Notice and/or carrying out the buying-in pursuant to that Notice. Such costs and expenses will include any transaction and other charges incurred by the Clearing House to its buy-in agent. The Clearing House will also charge an administration fee per Buy-in Notice issued to a Selling Member. This administration fee will be charged to the Clearing Member in accordance with standard Clearing House procedures at the beginning of each calendar month (for the previous month's charges). The Clearing House is entitled to collect such costs, expenses, administration fee and VAT through the PPS and debit the appropriate PPS account of that Selling Member accordingly.

#### 2D.12.3 Cash Settlement

In the event that buying in settlement cannot be achieved as described in Section 2D.12.2.6 after ISD+60, then the Clearing House may cash settle any outstanding transactions at 120% of the last available closing price, or any other price depending on specific circumstances in accordance with the last paragraph of this Section 2D.12.3. Buying members should note that, where an interoperating CCP cash settles under a linked contract, cash settlement may occur prior to ISD+60.

The Clearing House will delete the outstanding transactions in the relevant ASP, which the Buying and Selling Members will be required to match delete (where applicable) by the close of settlement no later than 24 hours after the Clearing House deletion. The Clearing House will enter a cash only delivery into the relevant ASP for settlement on T+3 for the relevant cash settlement amount.

Where the member fails or omits to match the cash only instruction input by the Clearing House, then the Clearing House reserves the right to collect or pay the relevant funds through the PPS account of the Clearing Member.

Where the last available closing price at 120% is below the original traded price at the time cash settlement occurs, the Clearing House will pass onto the Buying Member any credit due to the Selling Member as a result of the cash settlement.

In the situation where the Clearing House holds cross-settled, EquityClear Contracts i.e. the transaction considerations may not be equal, , the Clearing House may, in its absolute discretion, charge the Buying Member and/or Selling Member such amounts as is necessary to ensure that the Clearing House does not incur a loss.

Where settlement of any EquityClear Eligible Instruments cannot take place because of a court, administrative or regulatory order or because of an insolvency event affecting the Issuer of such Securities, or any of the above, the Clearing House may in its discretion, give notice to Clearing Members who are party to open EquityClear Contracts in respect of those Securities, that such Contracts will be cash settled at such price as the Clearing House may set in its reasonable discretion. Clearing Members should note that in such circumstances the reference price may be NIL.

**2D.12.4 Irish Securities**

In the event that a Selling Member fails or omits to deliver to the Clearing House any EquityClear Eligible Instruments which are Irish Securities within the period of twenty five Business Days after the intended settlement date, and the Clearing House incurs any liability to stamp duty or any similar tax or charge and any other costs or expenses related thereto, the Selling Member shall be liable to pay to the Clearing House an amount equal to all such stamp duty or other similar tax and such related costs. The Clearing House shall be entitled to debit the appropriate PPS account of that Selling Member with such amounts. Clearing Members should note in this regard that the Clearing House may incur such liability in the event of such settlement delay because of the relevant legal provisions which require settlement within a prescribed period of time in order for the Clearing House to be exempt from stamp duty otherwise applicable.

**2D.13 BAD DELIVERY**

Where settlement is unfulfilled or unwound within the system of the ASP for any reason, (for example, in the event that an Issuer or its registrar refuses to register the transfer, or the transfer is otherwise legally incomplete) then the Clearing House has the right to give such directions as it considers appropriate to the Clearing Members who are party to the relevant EquityClear Contracts in order that settlement and delivery may be achieved at the earliest opportunity.

**2D.14 TAX LIABILITY**

In the event that the Clearing House incurs any liability to pay any tax (including but not limited to any stamp duty, income tax, withholding tax and corporation tax) in respect of any dividend or other income or taxable benefit from any EquityClear Eligible Security or in respect of any Corporate Event related to any EquityClear Eligible Security (in each case being an EquityClear Eligible Security which is the subject of an EquityClear Contract), then it shall have the right to require reimbursement in respect of such tax liability and any costs and other expenses incurred by the Clearing House in relation thereto, from the Clearing Member who is or was party to the EquityClear Contract concerned, and whom, in the Clearing House's reasonable opinion should be responsible for meeting such tax payment, costs and expenses. The Clearing House is entitled to debit such amounts from the relevant PPS account of that Clearing Member.

Clearing Members are requested to familiarise themselves with all relevant requirements and procedures of each relevant ASP with regard to withholding and other taxes.

**2D.15 CORPORATE ACTIONS**

All key terms referred to in this Section 2D.15 have the meanings set forth in a Glossary annexed to this document as Appendix 2D.A

**2D.15.1 Introduction**

This Section 2D.15 sets out the Clearing House's generic process for managing Corporate Actions that arise in relation to EquityClear Contracts arising from a trade executed on any ATP (an "ATP Match"). If there are specific differences that apply to any of the ATPs they may be identified below.

Where a Corporate Action occurs that is not addressed in this Section 2D.13, the Clearing House will, where necessary, direct Clearing Members as to the process they will be required to follow.

#### 2D.15.2 **Corporate Actions for ccCFDs**

Unless otherwise stated, the provisions of Section 2D.15.4 to Section 2D.15.8 apply only to Corporate Actions for EquityClear (Equities) Contracts. The provisions of Section 2D.15.4 to Section 2D.15.8 that relate to Corporate Actions for EquityClear (ccCFD) Contracts are clearly identified.

Further information relating to the management of Corporate Actions for EquityClear (ccCFD) Contracts is set out in the ccCFD Corporate Action Management Policy document that is available from the Clearing House. The ccCFD Corporate Action Management Policy document forms part of the Clearing House's Procedures and should be read in conjunction with the provisions of this Section 2D, particularly Section 2D.1.8.

#### 2D.15.3 **Governing Principles**

##### 2D.15.3.1 Liability of the Clearing House

While the Clearing House will do what it reasonably can to do the things set out in these Procedures, it shall have no liability for any loss or damage arising out of or connected with any act or omission on its part or on its behalf in connection with any Corporate Action. The Clearing House shall be under no obligation to give effect to any instruction made by or on behalf of a Clearing Member or do any act required to obtain any benefit, dividend, stock or other thing arising out of such Corporate Action.

The Clearing House shall not be responsible for any act or omission with regard to any Corporate Action (for example a rights issue, dividend or Cash Equivalent Dividend Payment or other corporate entitlement) relating to any EquityClear Eligible Instrument which is the subject of any EquityClear Contract, other than as set out in these Procedures.

##### 2D.15.3.2 Corporate Action information and accuracy

The Clearing House does not provide Clearing Members with any information in relation to Corporate Actions announcements. The Clearing House is not responsible for forwarding any information or delivering any notice or instruction received. Clearing Members should continue to rely upon their current providers for this service.

The Clearing House is not responsible for, and accepts no liability in relation to, the accuracy for any relevant data provided by ASPs or information vendors in regard to Corporate Action events but will make reasonable efforts to resolve any difference highlighted by Clearing Members.

##### 2D.15.3.3 Clearing House processing of Corporate Actions

The Clearing House will process Corporate Actions on Entitled Transactions or Positions (which includes unsettled and Pending Transactions) as set out in these Procedures and based on its records of those transactions or positions. Where net settlement arrangements apply, the Clearing House will calculate and apply

Corporate Actions to a Clearing Member's net position and not to the individual trades making up that position.

In the case of any uncertainty as to how a Corporate Action should be treated, the Clearing House, at its absolute discretion, will determine the treatment of any specific Corporate Action as appropriate. This includes situations where the Clearing House is unable to settle a particular corporate event outturn.

Where permitted, Clearing Members are responsible for notifying the Clearing House of an election in relation to a Corporate Action in accordance with these Procedures. The Clearing House will not solicit responses from Clearing Members on elective events and will only act upon an instruction received from Clearing Members given in accordance with these Procedures. The Clearing House reserves the right to reject any elections from Clearing Members that would result in a residual outturn or an outturn that cannot be settled by the Clearing House.

Except as otherwise provided in these Procedures or the Rulebook, each Clearing Member (and/or its Settlement Agent) is solely responsible for the notification, satisfaction and reconciliation of any entitlement that is the result of a Corporate Action. All claims should be settled on the ISD and Clearing Members must not take any action to prevent timely settlement.

If a Corporate Action results in the creation of a position in cash or securities, the Clearing House will calculate and collect Initial Margin and/or Variation Margin on a case-by-case basis. Each Clearing Member should ensure that it has made appropriate arrangements to meet such margin calls.

#### 2D.15.3.4 Clearing Member Obligations

The terms of a Corporate Action will establish whether a Clearing Member is affected by that event. It is the responsibility of the Clearing Member to ensure that it complies with the terms and conditions (including any restrictions) that apply to a Corporate Action. If permitted, when a Clearing Member issues a Buyer Election Notice to the Clearing House in accordance with Section 2D.15.6, the Clearing Member agrees to indemnify the Clearing House in respect of any loss suffered by the Clearing House as a result of that Clearing Member's breach of the terms and conditions of the relevant Corporate Action.

Where a Clearing Member fails to take delivery from the Clearing House that results in the Clearing House incurring a cost due to a Corporate Action, the Clearing House may recover such costs from the Clearing Member via the Clearing Member's PPS account.

#### 2D.15.3.5 Use of Settlement Agents

A Clearing Member may when required, in accordance with Section 2D.1.6, use a Settlement Agent (which may be the relevant ASP) to settle its obligations under an EquityClear Contract. The Clearing House may instruct, and may accept instructions from, a Clearing Member's Settlement Agent in relation to a Corporate Action, subject to Section 2D.1.6. However, Clearing Members remain directly responsible for compliance with these Procedures, including the timely submission of any instructions that may be given by a Clearing Member and any liabilities arising as a result of a Corporate Action.

The Clearing House has no contractual relationship with a Clearing Member's Settlement Agent and shall owe no duty of care nor have any liability whatsoever to such Settlement Agent (whether that person is a Member or not) or any other person in the event of any act or default of such Settlement Agent, or with regard to any matter arising out of or in connection with these Procedures.

#### 2D.15.3.6 What the Clearing House does not do

The Clearing House will not process any Corporate Action consisting of a right to vote.

#### 2D.15.4 **Mandatory Events**

A Mandatory Event is an event that is initiated by the issuer of a security that affects all holders of that security, including the underlying security of an EquityClear Eligible ccCFD. Participation of shareholders is mandatory although some events may give shareholders an option to determine the outturn received.

Mandatory Events can be further split into three categories:

- (i) mandatory transformations;
- (ii) mandatory distributions; and
- (iii) mandatory distributions with options.

An Entitled Transaction (whether failed or pending) whose underlying security is subject to a Mandatory Event will also be subject to the Mandatory Event if it is open during the relevant dates of the event.

#### 2D.15.4.2 Mandatory Transformations

Mandatory Transformations include events such as stock splits, reverse stock splits, exchanges, conversions, changes, mergers, and redenominations. In each case, a Mandatory Transaction results in a transformation of the underlying security. Members are not permitted to opt out of a Mandatory Transformation affecting an Entitled Transaction. Entitled Transactions will be determined by the terms of events.

Where a Mandatory Transformation results in an EquityClear Eligible Instrument being converted into another instrument with a different ISIN, or wholly to cash, all Entitled Transactions or Positions are cancelled (where required by local market rules) and replaced by transactions or positions in the new EquityClear Eligible Instrument, or a cash distribution, pursuant to the terms of the event.

In some markets, the cancellation and replacement of Entitled Transactions is performed automatically by the ASP. In those instances, the Clearing House will, upon confirmation of the terms of the Mandatory Transformation, update its records to transform the Entitled Transactions in accordance with the terms of the Mandatory Event.

In those markets in which the ASP does not automatically cancel and replace Entitled Transactions to reflect the Mandatory Transformation, Clearing Members (or their Settlement Agents) must cancel the relevant instructions and replace

them with new instructions reflecting the Mandatory Transformation, in accordance with the procedures established by the ASP or as directed by the Clearing House.

The delay or failure of a Clearing Member to cancel and replace instructions may result in delay or failure of the settlement process. Any costs and expenses incurred by the Clearing House due to any the Clearing Member's delay or failure may be charged directly to the Clearing Member through the Clearing Member's relevant PPS account.

In the case of ccCFDs, the cancellation and replacement of Entitled Positions is performed automatically by the Clearing House. In those instances, the Clearing House will, upon confirmation of the terms of the Mandatory Transformation, update its records to transform the Entitled Positions in accordance with the terms of the Mandatory Event.

Except for any amendments to an EquityClear Contract that are necessitated by a Mandatory Transformation, the terms of each EquityClear Contract shall remain unchanged.

CREST only transformations:

In the event that particulars of an EquityClear Contract involving EquityClear Eligible Instruments on which a transformation is taking place, remains unmatched in CREST for ten (10) Business Days after the expiry date for those securities, it will be deleted in CREST in accordance with the CREST Manual. The Clearing House will then manually re-enter the particulars of that EquityClear Contract which will include particulars of the New Securities. Any Clearing Member who does not match in CREST prior to any such deletion in CREST, must immediately input matching instructions in order to match with those new particulars.

#### 2D.15.4.3 Mandatory Distributions

Mandatory Distributions are events such as cash dividends, Cash Equivalent Dividend Payments, stock dividend, scrip/optional bonus share distribution, stock splits, spin-off, or rights. In each case, a Mandatory Distribution will result in a distribution of cash or securities to those holding the relevant security on the Record Date.

If an Open Transaction was executed prior to the Ex-Date but has not either reached the ISD or settled in the relevant market prior to or on the Record Date, then the Buying Member is entitled to the benefit distributed on the Pay Date. Transactions executed on or after the Ex-Date carry no benefit entitlement to the Buying Member and the Clearing House will take no action in respect of these positions.

If there is a ccCFD position created prior to Ex-Date and still open at close of business on Ex-Date – 1, then a Buying Member is entitled to the cash equivalent benefit. Positions created on or after the Ex-Date carry no benefit entitlement to the Buying Member and the Clearing House will take no action in respect of these positions. Selling Members will be liable for any benefit if they have a position created prior to Ex-Date and still open at close of business on Ex-Date - 1.

If there are Open Transactions that are subject to a Mandatory Distribution, either the ASP (in those markets in which the ASP automatically processes the Mandatory Distribution) or the Clearing House's Settlement Agent (in those

markets in which the Clearing House's Settlement Agent processes claims directly) or the Clearing House, will distribute the entitlement, or set up claims representing the entitlement to reflect the cash or securities due under the terms of the Mandatory Distribution. It should be noted that in some markets, the ASP automated process for cash distributions may result in an adjustment to the cash consideration of the underlying transaction.

On the Effective date or Pay Date, as appropriate, the relevant ASP or the Clearing House will credit and debit the accounts of the Clearing House and Clearing Members, according to the terms of the Mandatory Distribution. All such processing, including cash claims processing and collection, will be performed on behalf of the Clearing House, either by the relevant ASP, or directly between the Clearing House's Settlement Agent and the Settlement Agents, or posted by the Clearing House for the affected Clearing Members. As a result, the timing of compensation processing will be determined by the ASP or the Settlement Agents or the Clearing House. If any claims remain outstanding for more than 30 business days, the Clearing House reserves the right to debit or credit the PPS accounts of the responsible Clearing Members.

Dividend/cash entitlements can be subject to withholding tax in certain markets. The Clearing House will always compensate cash claims on a net-of-tax basis ("Net Rate"), using the relevant market tax rate. If a Clearing Member is entitled to receive a more beneficial tax treatment in a particular market, then it will need to deal directly with the relevant tax authority. Under no circumstance will the Clearing House reclaim tax on a Clearing Member's behalf. It should also be noted that the Clearing House does not provide tax vouchers.

Further to Section 2D.14 in the event that the Clearing House incurs any liability to pay any tax in respect of any dividend or other income in respect of any Corporate Action then it shall have the right to require reimbursement in respect of such tax liability from the Clearing Member who is or was party to the EquityClear Contract concerned. The Clearing House is entitled to debit such amounts from the relevant PPS account of that Clearing Member.

For Failed Transactions in an Italian security, the Clearing House will compensate cash distributions at 103.56% of the net dividend amount or the relevant rate as may vary from time to time in line with the compensation practice of trades executed on Borse Italiana. The Clearing House will also compensate failing rights at the value of the rights multiplied by 170% or the relevant rate as may vary from time to time in line with the compensation practice of trades executed on Borse Italiana.

On the record date of a corporate event on an Italian security, members are not permitted to deliver securities to the Clearing House after 12pm (UK time). In the event that securities are delivered to the Clearing House after 12pm then the Clearing House reserves the right to pass on any costs that it may incur in the event that it holds securities in its account at the close of settlement.

#### 2D.15.4.4 Mandatory Event with Options

"Mandatory Events with Options" are events such as:

- (i) scrip dividends;
- (ii) dividends payable in alternative currencies or drips; and

- (iii) specific schemes of arrangements in which the issuer of a security offers the beneficial owner a choice in the type of outturn it will receive.

In the absence of an election, Entitled Members will receive the default outturn as dictated by: (a) the terms of the event; or (b) if no event default has been announced, the default applied by the relevant ASP or the Clearing House.

#### Dividends with options

If a Mandatory Event with Options is a dividend with options then with the exception of CREST, the Clearing House will accept Buyer Election Notices on scrip dividends and currency election dividends in accordance with the process described in Section 2D.15.6. In the event that no election is received, the Clearing House will apply the default as dictated by the terms of the event or, if the event does not have a default, the option applied by the relevant ASP, or the Clearing House, as the default option.

Buyer Election Notices on Dividend Reinvestment Plans will not be accepted by the Clearing House.

#### Interim Securities

In some local markets, a Mandatory Event with Option may be processed by distributing to Entitled Members an Interim Security representing the options available. In those markets, transactions reflecting the Interim Securities will be automatically created by the ASP or Clearing House if an Open Transaction is open over the Record Date. In such cases, the Clearing House will attempt to settle these Interim Securities prior to any election deadlines. However, if on the Effective Date there are still outstanding Interim Securities in respect of optional cash distribution events, then the default option will be applied to the open interim transactions and the Interim Securities will be transformed accordingly.

#### Last Time for Delivery of Nil Paid Rights in CREST

In the case of CREST, Selling Members are not permitted to deliver Nil Paid Rights after the last time for delivery (the last time for delivery, unless otherwise advised, is the close of settlement in the CREST, one Business Day prior to the registrar's deadline for call payments, registration or elections).

In the event that Nil Paid Rights are delivered by a Selling Member after the last time for delivery, the Clearing House will attempt to deliver the securities back to the Selling Member, who will remain liable for delivering the chosen option as required by the Buying Member.

#### Other events

For all other Mandatory Events with Options, the Buyer Election Process set out at Section 2D.15.6 will be followed.

For ccCFD Positions, Buying Members with long ccCFD positions will not be permitted to elect upon Mandatory Events with Options and will receive the default as determined by the Clearing House. Therefore the procedures outlined in Section 2D.15.6 do not apply to Buying members with ccCFD Positions. Selling Members holding short ccCFD Positions subject to a Mandatory Event with

Options may receive Allocation Notices from the Clearing House as detailed in section 2D.15.6.3 and will be liable for the outturn due.

#### 2D.15.5 **Voluntary Corporate Actions**

Voluntary Corporate Actions are events such as tender offers, takeovers or calls on rights securities. An Entitled Member may choose whether or not to participate in a Voluntary Corporate Action.

A Buying Member that is an Entitled Holder may submit a Buyer Election Notice in relation to a Voluntary Corporate Action, in accordance with the Buyer Election Process detailed below at Section 2D.15.6.

In the absence of an election from the Buying Member, the default option of the Voluntary Corporate Action will be applied to Entitled Transactions. Where a Voluntary Corporate Action does not have a default option, the default is set by the relevant ASP or the Clearing House. In most cases the default option is no action, and the Entitled Transaction will not be affected.

For ccCFDs, Buying Members holding long ccCFD positions will not be permitted to elect upon Voluntary Events and will receive the default as determined by the Clearing House. Therefore the procedures outlined in 2D.15.6 do not apply to Buying members with ccCFD Positions. Selling Members holding short ccCFD Positions subject to a Voluntary Event may receive Allocation Notices from the Clearing House as detailed in section 2D.15.6.3 and will be held liable for the outturn due.

#### 2D.15.6 **Buyer Election Process**

An Entitled Member may notify the Clearing House of its election in relation to a Mandatory Event with Options or a Voluntary Corporate Action by submitting a Buyer Election Notice in accordance with the following procedures.

##### 2D.15.6.1 **Deadlines and Interim Securities**

The CCP Deadline is the time set by the Clearing House by which an Entitled Holder must submit a Buyer Election Notice. The CCP Deadline is based on the terms of the Corporate Action and any restrictions applied by the ASP and/or the Clearing House's Settlement Agent. Appendix 2D.B sets out the relevant CCP Deadlines by type of event.

In markets in which Interim Securities are distributed as part of the initial event, such as a rights issue, for the purposes of processing these events these Interim Securities transactions will be treated as Open Transactions.

##### 2D.15.6.2 **Buyer Election Notices**

Buying Members that have not received their securities or Interim Securities on or before the relevant Deposit Deadline or Acceptance End Date and that choose to participate in a Corporate Action, must submit a correctly completed Buyer Election Notice (see Appendix 2D.F) to the Clearing House via email or fax to the Clearing House contacts specified in that notice.

A Buyer Election Notice must be submitted before the relevant CCP Deadline. It is the Buying Member's responsibility to ensure that receipt of the Buyer Election

Notice is confirmed by the Clearing House. The Clearing House will confirm the transaction is Open and Entitled and will then 'phone' the Buying Member by telephone to verify the election option that will be actioned.

Notwithstanding the receipt of a correctly formatted Buyer Election Notice, if prior to the Market Deadline, the Clearing House is in a position to deliver the Eligible Securities underlying the Open Transactions or Interim Securities, or a partial of either by splitting the instruction, then it reserves the right to do so.

#### 2D.15.6.3 Allocation Notices

Buyer Election Notices that are received from Buying Members by the CCP Deadline will be allocated to Selling Members with relevant Entitled Transactions using the Allocation Algorithm. The Clearing House will notify Selling Members of the allocation via an Allocation Notice.

Allocation Notices are created using the Allocation Algorithm that matches Buying Members with Selling Members in the following order: (1) an outstanding settlement obligation of equal size; then (2) an outstanding settlement obligation of greater size; and (3) an outstanding settlement obligation of greatest size (i.e. the largest available if the largest available is smaller than the elected position).

The allocation process will be completed by the times outlined in Appendix 2D.B. The Clearing House will apply reasonable endeavours (but shall not be required) to notify, and confirm receipt by, those Selling Members to whom liability is allocated prior to the Allocation Deadline. The Clearing House may, if it reasonably determines that the circumstances warrant, accept a Buyer Election Notice after the CCP Deadline in which case (and notwithstanding any Allocation Deadline), the Clearing House will allocate that election to Selling Members with Entitled Transactions in accordance with the Allocation Algorithm as promptly as practicable thereafter.

Each Selling Member should note that if it holds an Entitled Transaction (including by reason of a failure to match its settlement obligations), the Clearing House may issue that Selling Member with an Allocation Notice to satisfy a Buyer Election Notice. Accordingly, each Selling Member should be prepared to fulfil any Allocation Notice that it receives, in accordance with these Procedures.

If by the CCP Deadline, a Selling Member has not settled an Entitled Transaction, that Selling Member will be liable for the outturns of the offer in addition to other actions (e.g. buy-in) that may result from its failure to deliver, as provided in these Procedures.

#### 2D.15.6.4 Clearing House Holdings at an ASP

In the event that the quantity of Buyer Election Notices received from Buying Members exceeds the quantity of Selling Member Entitled Transactions, then, in the event that the Clearing House maintains a holding of an Eligible Security at an ASP that is subject to a Corporate Action, the Clearing House shall use its reasonable endeavours to satisfy the excess Buyer Election Notices by electing an appropriate quantity of its Holding at the ASP.

If a Selling Member fails to deliver the relevant Eligible Securities by the last time to deliver before the CCP Deadline and the Clearing House is unable to elect its

holding at the ASP, then any loss incurred by the Clearing House will be allocated and charged to those Selling Members responsible for late delivery.

#### 2D.15.6.5 Selling Member delivery

A Selling Member with Entitled Transactions (including holders of short ccCFD positions) who has received an Allocation Notice from the Clearing House is bound by that Allocation Notice. That Selling Member can only deliver the original or the Interim Securities prior to the last time to deliver before the CCP Deadline.

After the CCP Deadline, a Selling Member who has received an Allocation Notice must deliver the new transformed securities or the relevant outturn distribution. In the event that a Selling Member delivers the original or Interim Securities, and the Buying Member (or its agent) declines to accept delivery of such Securities then the Clearing House will return those same securities to the Selling Member and the Selling Member is obliged to deliver to the Clearing House the new transformed securities or relevant outturn distribution in accordance with such directions as may be given by the Clearing House. Once the Corporate Action is finalised, if a further transformation or distribution is required the Clearing House procedures outlined at Section 2D.15.4 for Mandatory Events will be followed.

If, in relation to an Entitled Transaction, a Selling Member's delivery of the underlying securities: (a) may prevent the Clearing House from creating an Allocation Notice; (b) will require the Clearing House to elect its Holding at an ASP; or (c) occurs after the CCP Deadline, then the Clearing House reserves the right to block settlement, or refuse a full or partial delivery, or to return the securities received.

#### 2D.15.6.6 Buyer Elections Process: CREST

CREST enables Buying Members to make direct elections in relation to certain Mandatory Events with Options and Voluntary Corporate Actions. Where CREST provides such an option, Buying Members must input elections directly through CREST using ACON instructions by the CCP Deadline set out in Appendix 2D.B. The Clearing House will not accept Buyer Election Notices in relation to such Corporate Actions.

Clearing Members must familiarise themselves with the relevant CREST Procedures and in particular should note that Buying Members cannot instruct on unmatched transactions (or in respect of a matched gross settlement instruction that is eligible for settlement netting but has not yet been netted).

If a Buying Member does not provide instructions with regard to a Mandatory Event with Option or Voluntary Corporate Action through CREST, as set out above, then the Clearing House will be entitled to allow the Corporate Action to default to the "default option" input by CREST. Subject to Section 2D.1.8, the Clearing House has no liability of any kind to that Clearing Member or any third party in such respect thereto.

##### Election deadlines

Where a Mandatory Event with Options occurs, an election will only be accepted by CREST (on behalf of the Clearing House) where:

- (i) the trade date falls at least one business day prior to the CCP Deadline; or
- (ii) the instructions are received before the last time for instruction, which is 11:00 hours London time on the Business Day immediately before the last date for acceptance or call date.

Where a Voluntary Corporate Action occurs, a Buying Member election will only be accepted by CREST (on behalf of the Clearing House) where:

- (iii) the Intended Settlement Date falls on or before the CCP Deadline (see (ii) below); or
- (iv) the instructions are received before the CCP Deadline which is 11:00 hours London time on the Business Day immediately before the registrar's deadline for call payments, registration or elections.

#### Allocation to Selling Members –via CCP Services in EUI

When a Buying Member election is received by CREST, it is automatically allocated to a Selling Member's Entitled Transaction. If a Buying Member's instruction is received before the CCP Deadline, CREST (on behalf of the Clearing House) reserves the right to continue allocating those instructions to Selling Members after the CCP Deadline. Any Selling Member receiving an allocation in this period shall be bound to accept that election.

Selling Members should be aware that it is possible that CREST will perform an allocation against a Selling Member's unmatched instruction. If this occurs, the Selling Member will only become aware of that allocation when the instruction is matched. Notwithstanding this, a Selling Member is bound by such allocation.

Clearing Members should note that a settlement may be split into several shapes as part of the allocation process and a Selling Member may receive one instruction and option for each split settlement.

Selling Members should treat allocations and instructions received from CREST as allocations and instructions provided by the Clearing House. If CREST has performed these functions, the Clearing House will not separately issue or take part in allocations and instructions.

Following an allocation made by the Clearing House in an elective Corporate Event, the Selling Member who is party to the relevant EquityClear Contract is bound by that allocation. That Selling Member should only deliver the Original Securities providing the delivery occurs prior to the last time for delivery. (The last time for delivery, unless otherwise advised, is the close of settlement in the settlement system of EUI, one Business Day prior to the registrars deadline for call payments, registration or elections.).

Thereafter that Selling Member must deliver the New Securities. In the event that a Selling Member does deliver the Original Securities, and the Buying Member (or its agent) declines to accept delivery of such Original Securities, then the Clearing House will return the Original Securities to the Selling Member and the Selling Member is obliged to deliver to the Clearing House the New Securities in accordance with such directions as may be given by the Clearing House.

If a Selling Member fails to perform in accordance with an instruction provided by CREST, that Clearing Member will be responsible for reimbursing the Clearing House for any costs, expenses and other losses suffered by the Clearing House in connection with that failure or omission.

#### Allocation to Selling Members –via Standard Participant Services in EUI

When a Buying Member election is received by CREST, it is allocated to a Selling Member's Entitled Transaction by the Clearing House. If a Buying Member's instruction is received before the CCP Deadline, the Clearing House reserves the right to continue allocating those instructions to Selling Members after the CCP Deadline. Any Selling Member receiving an allocation in this period shall be bound to accept that election.

Selling Members should be aware that it is possible that the Clearing House will perform an allocation against a Selling Member's unmatched instruction. If this occurs, the Selling Member will only become aware of that allocation when the instruction is matched. Notwithstanding this, a Selling Member is bound by such allocation.

Clearing Members should note that a settlement may be split into several shapes as part of the allocation process and a Selling Member may receive one instruction and option for each split settlement.

Once the CCP deadline is passed Selling Members have to reduce the priority of their Allocated Transaction to zero to prevent the possibility of the trade settling before the Transformation takes place within CREST.

If a Selling Member fails to perform in accordance with an instruction provided by the Clearing House, that Clearing Member will be responsible for reimbursing the Clearing House for any costs, expenses and other losses suffered by the Clearing House in connection with that failure or omission.

After the CCP Deadline, a Selling Member who has received an Allocation Notice must deliver the new transformed securities or the relevant outturn distribution. In the event that a Selling Member delivers the original or Interim Securities, and the Buying Member (or its agent) declines to accept delivery of such Securities then the Clearing House will return those same securities to the Selling Member and the Selling Member is obliged to deliver to the Clearing House the new transformed securities or relevant outturn distribution in accordance with such directions as may be given by the Clearing House

#### 2D.15.6.7 Buyer Elections Process: SIX SIS

If an Entitled Transaction that is subject to a Mandatory Event with Options or a Voluntary Corporate Action is held in SIS, then Buying Members' elections must be made through the MPA (Main Paying Agent) or SIS only in accordance with SIS procedures. The elections must be notified to the MPA or SIS before the election deadline or Deposit Deadline.

Buying Members are usually permitted to make elections for Scrip Dividends and Currency Elections with the MPA or directly with SIS. Clearing Members are referred to the relevant requirements and procedures of SIS in this regard. The Clearing House will not process such elections or participate in such event in any way.

#### 2D.15.6.8 Elective Corporate Events: Exceptional Turquoise Norwegian Contracts

The Clearing House will not accept any instructions from Buying Members in relation to any elective corporate event for EquityClear contracts originating from Exceptional Turquoise Norwegian Equity Derivatives. The Clearing House will allow the Corporate Event to default to the default option as directed by the Norwegian ASP (VPS).

#### 2D.15.6.9 Failure of Selling Member to deliver

If a Selling Member fails to deliver the relevant securities to the Clearing House by the Deposit Deadline, the Clearing House may be unable to make a corresponding delivery on to the Buying Member. As a result, the Buying Member may not be able to deliver the underlying stock to the MPA or SIS in order to participate in the Corporate Action. In such circumstances, the Clearing House will allow the Buying Member to submit a Buyer Election Notice or cash claim directly to the Clearing House provided such details are received by the Clearing House no later than two hours after the Deposit Deadline for SIS. Such notification must be made by email to [equityclearbusinessops@lchclearnet.com](mailto:equityclearbusinessops@lchclearnet.com). No other method of notification is permitted. If the Buying Member does not submit a Buyer Election Notice by the required time, then the Buying Member will lose any election rights.

The Clearing House will validate Buyer Election Notices that it receives and will allocate valid elections to appropriate Selling Members via Allocation Notices. The allocation process will be completed by the close of business (5 p.m. London time) on the CCP Deadline (as applicable) + 1 (the Allocation Deadline) or as soon as practicable thereafter.

Following allocation, the Clearing House will create settlement instructions in SIS for the relevant entitlement on a T+3 basis. Such settlement instructions will usually be entered by the Clearing House by 17:30 hours London time on the day which is two business days after the Delivery Deadline but this process may take longer where there are a large number of instructions to be created.

#### 2D.15.6.10 Failure to make or accept delivery

Where a Selling Member has been issued with an Allocation Notice and fails or omits to deliver stock to the Clearing House by one hour prior to the Delivery Deadline, this will be deemed to be a settlement failure. The Clearing House may charge that Selling Member a administration fee, which sum may be collected by the Clearing House through the relevant PPS account.

If a settlement failure arises due to the failure or omission of the Buying Member to take delivery of the relevant stock from the Clearing House, that Buying Member will lose its election rights.

#### 2D.15.7 Fractional Entitlements

The Issuer of an Eligible Security determines whether an amount known as a "Fractional Entitlement" is payable to a Buying Member as a result of a Corporate Action. If the Clearing House has Open Transactions that are subject to a Fractional Entitlement then, depending on local market practice, that Fractional Entitlement will be managed by the Clearing House, the relevant ASP or the Clearing House's Settlement Agent.

In markets in which Fractional Entitlements are managed by the relevant ASP or the Clearing House's Settlement Agent, the ASP or the Clearing House's Settlement Agent will distribute the entitlement, or set up claims representing the entitlement to reflect the cash due under the terms of the event. The ASP or the Clearing House's Settlement Agent will credit and debit the affected accounts maintained by the Clearing House's Settlement Agent and Members' Settlement Agents, either on the Effective date or on receipt/payment dates of the claims. The Clearing House reserves the right to debit or credit a Clearing Member's PPS account if a claim remains outstanding for 30 days or more.

Where the Fractional Entitlement is not dealt with by the ASP or the Clearing House's Settlement Agent the Clearing House will accept a claim from a Buying Member, and pass on the claim to the relevant Selling Member. It is a Buying Member's responsibility to submit such claims and the Clearing House will not actively invite claims from Buying Members.

If a Buying Member issues a claim for a 'Fractional Entitlement' more than one month after the Issuer determines that such entitlements are payable, such claim will be treated as invalid by the Clearing House. In relation to such claims, the Clearing House will be under no obligation whatsoever and, subject to Section 2D.1.8.2, shall have no liability to the Buying Member with regard to such claim.

## 2D.15.8 **UK Residual Transactions**

2D.15.8.1 A Residual Transaction is a stock or cash transaction

- (i) created as a result of a Corporate Action affecting an EquityClear Eligible Security that is settled in CREST as ASP; and
- (ii) that cannot be settled in CREST.

If the Clearing House is aware that a Corporate Action affecting an EquityClear Contract will give rise to a Residual Transaction (a "Residual Corporate Action"), the Clearing House will calculate each Clearing Member's net settlement position for those Residual Transactions.

A Clearing Member's "net settlement position" in Residual Transactions is calculated by taking the total amount of any stock or cash (as the case may be) due to that Clearing Member, then deducting the total amount of any cash or stock due from that Clearing Member. This will provide a net amount of stock or cash due to the Clearing House from that Clearing Member, or due to that Clearing Member from the Clearing House. The calculations may include Residual Transactions with different Intended Settlement Dates and the Clearing House shall in its discretion determine the Settlement Date for settlement of the net settlement position.

Clearing Members should note that the "net settlement position" referred to in this Section 2D.15.8 should not be confused with net settlement of EquityClear Contracts arising from participation in net settlement arrangements as described in Section 2D.9 above. Netting of Residual Transactions will take place irrespective of whether a Clearing Member has notified the Clearing House of its intention to participate in the net settlement arrangements described in Section 2D.9.

#### 2D.15.8.2 Delivery directions

A Clearing Member holding Residual Transactions will be advised by the Clearing House of the details of its net settlement position. The Clearing House will, in its sole discretion, determine the size and “shape” of batches of stock to be delivered by or to any Clearing Member and, in the event that a Clearing Member is required to deliver any stock to the Clearing House, the Clearing House will provide details of the batches in which the Clearing Member is required to deliver such stock. Such advice will generally be provided to a Clearing Member on:

- (i) Ex-Date for Residual Corporate Actions where the Record Date occurs before the Ex Date;
- (ii) Record Date plus one Business Day where Ex Date occurs before Record Date.

In the event that details of the net settlement positions are not available on either of these dates, the Clearing House will provide such advice as soon as reasonably practicable after such details become available.

Clearing Members are required to comply with delivery directions given by the Clearing House.

#### 2D.15.8.3 Method of delivery

If a Clearing Member has been directed to make delivery in respect of a net settlement position, that Clearing Member must physically deliver the relevant documentation to the Clearing House. The delivery must:

- (i) be made on a Business Day;
- (ii) delivered to the Messenger’s offices of the Clearing House on the Ground floor, Aldgate House, 33 Aldgate High Street, London EC3N 1EA (unless another address is advised by the Clearing House); and
- (iii) be marked for the attention of “LCH.Clearnet Operations: Residual Corporate Events – Stock Delivery”.

Delivery of any UK stock resulting from a Corporate Action must be made to the Clearing House in no more than two deliveries per “shape” notified by the Clearing House. If payment is required against delivery then the cash amount should be pro-rated (and input into CREST accordingly). Notwithstanding the foregoing the Clearing House reserves the right to refuse any partial delivery (including partial delivery of a “shape”).

#### 2D.15.8.4 Collection of Stock

The Clearing House requires Clearing Members to collect stock from its offices. The Clearing House will advise a Member due to receive stock pursuant to a Residual Corporate Event that its stock is available for collection and provide it with a reference number to be quoted upon collection.

If a Clearing Member due to receive stock fails to collect the relevant documents from the Clearing House, then the Clearing House will not accept any liability for any losses incurred as a result of such inaction.

A receiving Clearing Member is not permitted to refuse to accept a partial delivery of stock from the Clearing House.

#### 2D.15.8.5 Residual Corporate Action elections

In the event that a Clearing Member may make an election in relation to a Residual Corporate Action, Clearing Members must comply with the following timetable in order to participate.

##### Call Payments – Instructions

The last date and time for receipt by the Clearing House of an instruction from a Buying Member is 11:00 hours London Time one Business Day prior to the call or payment date. In the event that the Clearing House receives an instruction from a Buying Member by such time but does not, for whatsoever reason, pass the instruction to the Selling Member by 11:00 hours London Time one Business Day prior to the call or payment date, the Clearing House may pass on such instruction as soon as reasonably practicable thereafter.

In the event that a Buying Member instructs the Clearing House to allow the option to lapse and, as a result of carrying out that instruction, a payment becomes due to that Clearing Member from the Clearing House, then the Clearing House will raise cash only transactions against both Buying Members and Selling Members when it is able to determine the amount of such payment. In the event that either Clearing Member fails or omits to match the Clearing House's cash only transaction within 24 hours of the Clearing House's input of such cash only transaction, the Clearing House will debit or credit that Buying Member or Selling Member, as the case may be, via their relevant PPS account.

##### Call Payments – Deliveries

The last date and time for delivery by the Selling Member to the Clearing House of any stock or cash in relation to a Residual Transaction is 10:00 hours London time one Business Day prior to the call or payment date. In the event that the Clearing House takes delivery of any such cash or stock from a Selling Member prior to such time but the Clearing House does not, for whatsoever reason, deliver to the Buying Member by such time, the Clearing House may deliver such cash or stock to the Buying Member as soon as reasonably practicable thereafter.

Where the Selling Member has failed to deliver by the deadline set out above, and the Buying Member has failed to send a Buyer Election Notice to the Clearing House by the deadline set out above, the Clearing House will allow the default option in the Residual Corporate Action to occur. In the event that the default option involves the payment of cash then the Clearing House will input into CREST against the Clearing Members an appropriate instruction to give effect to this, or will call or pay (as the case may be) the relevant cash amounts via the relevant PPS accounts.

##### Lapsed Rights Proceeds

Where a Buying Member issues a claim for lapsed proceeds more than one month after the appropriate deadline nominated by the issuer for acceptance of an offer in respect thereof, such claim shall be treated as invalid by the Clearing House, and the Clearing House shall be under no obligation whatsoever (and, subject to

Section 2D.1.8.2, shall have no liability in respect thereto) to make any payment to the Buying Member with regard to the lapsed rights premium associated therewith.

#### Last Time for Delivery of Nil Paid Rights

In the case of CREST, Selling Members are not permitted to deliver Nil Paid Rights after the last time for delivery (the last time for delivery, unless otherwise advised, is the close of settlement in the CREST, one Business Day prior to the registrar's deadline for call payments, registration or elections).

In the event that Nil Paid Rights are delivered by a Selling Member after the last time for delivery, the Clearing House will attempt to deliver the securities back to the Selling Member, who will remain liable for delivering the chosen option as required by the Buying Member.

#### Registration of Documents

Where the Clearing House has made delivery of application forms/allotment letters to a Buying Member by the last date and time for delivery and such Buying Member fails or omits to register/complete such forms in respect of lapsed rights proceeds, then the Clearing House may in its absolute discretion, charge an administration fee of a minimum of £50 plus VAT to the Buying Member in the event that the Clearing House has to pass on such proceeds.

**APPENDIX 2D.A****Definitions**

**Acceptance End Date:** The final date by which election instructions may be submitted to participate in a Voluntary Corporate Action, as dictated by the Issuer.

**Acceptance Start Date:** Start of the period during which election instructions may be submitted to participate in a Voluntary Corporate Action, as dictated by the Issuer.

**Buying Member:** Means a Clearing Member which is party to an EquityClear Contract as buyer.

**Cash Equivalent Dividend Payment:** Cash equivalent paid on an equity ccCFD based on the dividend paid by the Issuer on the underlying Instrument.

ccCFD: An EquityClear (ccCFD) Contract

**CCP Deadline:** The last time the Clearing House will accept a Buyer Election Notice from an entitled Buying Member, as set out in Appendix 2D.B

**CCP Services in EUI:** The CREST central counterparty service comprises arrangements with the CCP involving services which, in combination, facilitate or otherwise relate to the performance by the CCP concerned of certain central counterparty functions. These arrangements involve the provision of services and facilities to 'CCP' participants and CREST central sponsors.

**Corporate Action:** An event initiated by a public company that affects the securities (equity or debt) issued by the company. Some corporate actions such as a dividend (for equity securities) or coupon payment (for debt securities (bonds)) may have a direct financial impact on the shareholders or bondholders; another example is a call (early redemption) of a debt security. Other corporate actions such as stock split may have an indirect impact, as the increased liquidity of shares may cause the price of the stock to rise. Some corporate actions such as name change have no direct financial impact on the shareholders.

**Deposit Deadline:** Date by which a Selling Member must deliver securities to the Clearing House to enable the Clearing House to participate in a Corporate Action, or to enable the Clearing House deliver onto a Buying Member so the Buying Member can participate in the Corporate Action.

**Depository Receipts:** The LSE's International Order Book trading service and Depository Receipts traded on other ATP's.

**Distribution:** An outturn due on a Corporate Action based on the terms of the event and usually paid in cash or stock.

**Effective date:** The date on which shares can start trading. This usually refers to the date when new shares are issued.

**Eligible Instrument:** An EquityClear Eligibility Instrument, as defined in the Rulebook.

**Entitled Member:** A Buying Member with an Entitled Transaction that is subject to a Mandatory Event, a Mandatory Event with Options or Voluntary Corporate Action.

**Entitled Transactions/Positions:** These are Open Transactions/Positions that will be affected by a Corporate Action as per the terms of that Corporate Action.

**Exceptional Turquoise Norwegian Contracts:** EquityClear Contracts originating from Turquoise derivatives deliveries.

**Ex-Date:** The day the underlying security begins trading without the current announced distribution entitlement accruing to the buyer.

**Failed Transactions:** Transactions, entered into under the terms of an EquityClear Contract, which have reached ISD but have not yet settled at the ASP.

**Fractional Entitlement:** An amount of securities or cash remaining following the calculation of whole entitlement based on the terms of a Corporate Action.

**Interim Security:** A security issued to represent the options of an elective event.

**Issuing company or Issuer:** Shall mean the company issuing the relevant stock.

**Mandatory Events:** Events that are initiated by an issuer of securities that affects all shareholders. Participation of shareholders is mandatory though there may be an option to determine the outturn received.

Mandatory Events are split into:

Mandatory Transformations-such as stock splits, where the underlying transaction will be transformed into new constituents, depending on the terms of the event

Mandatory Distributions-such as cash or stock dividends, where the beneficial owner will receive a separate credit of the entitlement

Mandatory with Options-such as optional dividends, where a choice can be made to decide which of the potential outturns is received.

**Market Deadline:** The time on the Acceptance End Date the relevant ASP or Issuer or Issuer's agent stops accepting elections. Elections made after the Market Deadline are not accepted and default action, if any, will be applied.

**Open Transactions:** Transactions, entered into under the terms of an EquityClear Contract, that are either Pending Transactions or Failed Transactions.

**Pay Date:** Date on which entitlements are distributed.

**Pending Transactions:** Transactions, entered into under the terms of an EquityClear Contract, that have not yet reached the ISD.

**Record Date:** The day the issuer/registrars captures position for determining holders entitled to receive a distribution.

**Selling Member:** A Clearing Member that is party to an EquityClear Contract as seller.

**Settlement Agent:** An agent or custodian appointed by either the Clearing House or a Member to settle its security activity at an ASP.

**Service Description:** the EquityClear Service Description which is available on the Clearing House website.

**Trade Date:** The date on which a trade between 2 counterparties in a security is transacted.

**Transformation:** The change of a security into another security or cash following a Corporate Action.

**Voluntary Corporate Action:** A Corporate Action in which the share holders must elect to participate. A response is required by the issuer to process the action.

**VPS:** Norwegian ASP Verdipapirsentralen's System

Other terms used in this Section 2D shall have the same meaning as set out in the Rulebook

**APPENDIX 2D.B**  
**Market Deadlines**

<b><u>Election Market Deadlines</u></b>		
	<b>Corporate Action</b>	
	<b>Mandatory with options/Voluntary</b>	
<u>ATP/ASP</u>	<u>CCP Deadline*</u>	<u>Allocation Deadline**</u>
-	-	-
Depository Receipts	6.00pm Euroclear Deadline - 2 business days	1:00pm Euroclear Deadline - 1 business day.
SIS	Deposit Deadline + 2 hours	5.00pm Deposit Deadline +1 business day
EUI (elections only accepted via the ACON process)	11.00am Market deadline -1 business day	1:00pm Market deadline - 1 business day
EUI-Residual	11.00am Market deadline -1 business day	11.00pm Market deadline - 1 business day
Asia (Australia, Hong Kong and Japan)	5.00pm (Local time) Expiration/Deposit Deadline	5.00pm (Local time) Expiration/Deposit Deadline +1 business day.
All other ATP/ASP	5.00pm Expiration/Deposit Deadline	5.00pm Expiration/Deposit Deadline +1 business day
UK ccCFDs		11.00am Market Deadline + 1 business day

All times are London time with the exception of Asian markets

\* CCP The Clearing House determined deadline representing the last time a Buyer Election notice will be accepted from an entitled Buying Member

\*\* Allocation The Clearing House determined deadline representing by when allocation of liability to Selling Members using the Allocation Algorithm will be completed.

**APPENDIX 2D.C**

**Notice of Buy-In**



**EquityClearService**

**Request for Initiation of Buying In Process**

We hereby request LCH.Clearnet to initiate the buying in process on the following unsettled transactions

Company name:

Address of Head Office:   
(or business address)

Please specify the relevant ASP

<b>ASP</b>	<input type="text"/>
------------	----------------------

Please specify your Settlement Account Name and ID

	<b>Account Name</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
	<b>Account ID</b>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Please provide the following details for each transaction:

Exchange/ ATP	Trade Date	Stock Name	ISIN	Quantity	Consideration	ATP Trade Reference Number	ASP Reference Number
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

It is important to note that the earliest that buying in can be instigated is 09:00 UK time on ISD+5. Buying in requests must be received by LCH.Clearnet before 12:00 UK time to be treated as having been received that day. Any requests received after 12:00 UK time will be treated as having been received the following day. It is the members responsibility to ensure a Buy-In request is received by the Clearing House.

**Contact Details**

Name	Position	Phone Number
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Authorised Signatory**

<input type="text"/>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
Name	Title	Date

FOA – LCH.Clearnet Business Operations Department

**Telephone Number: +44 (0)20 7426 7601**

**E-mail – [EquityClearBusinessOps@lchclearnet.com](mailto:EquityClearBusinessOps@lchclearnet.com)**

**APPENDIX 2D.D****List of Approved Trading Platforms (ATP's)**

<b>Name of Approved Trading Platform</b>
London Stock Exchange plc
SIX Swiss Exchange
International Order Book
PLUS Markets Group plc
Equiduct Trading
NYSE Arca Europe
BATS Trading Limited
Turquoise Global Holdings Limited
Chi-X Europe Limited
Chi-East PTE Ltd
LMAX Ltd
GETCO Europe Limited

## APPENDIX 2D.E

## List of Approved Settlement Platforms (ASPs)

Approved Trading Platform	Approved EquityClear Settlement Provider	LCH.Clearnet Account	POA in force
London Stock Exchange	CREST (Direct) Euroclear (Direct)	LCH01 27851	No No
SIX Swiss Exchange	SIX SIS (Direct)	BP-ID GB 101'215	Yes
International Order Book	Euroclear	99750	Yes
Equiduct Trading Limited	CREST Pan European (via agent)	LCH03 Various (see securities account listed below)	No
BATS Trading Limited	Swiss-SIX SIS UK and Pan European (via agent)	BP-ID GB 101'215 Various (see securities accounts listed below)	Yes No
NYSE Arca	CRESTSwiss-SIX SIS UK and Pan European (via agent)	BP-ID GB 101'215 Various (see securities accounts listed below)	Yes No
Turquoise Global Holdings Limited	Swiss-SIX SIS Euroclear UK and Pan European (via agent)	BP-ID GB 101'215 99750 Various (see securities accounts listed below)	Yes Yes No
Chi-X Europe Limited	CRESTSwiss-SIX SIS UK and Pan European (via agent)	BP-ID GB 101'215 Various (see securities accounts listed below)	Yes No
Chi-East PTE Ltd	Asian-Citi	Various	No
GETCO	CRESTSwiss-SIX SIS UK and Pan European (via agent)	BP-ID GB 101'215 Various (see securities accounts listed below)	Yes No

## LCH securities accounts with Citi

MARKET	Settlement Agent	Agent BIC	CSD Account Number	Safekeeping Account Number	Account Name
<b>Australia</b>	Citibank N.A. Sydney	<b>CITIAU3X</b>	20018	2066560000	LCH.CLEARNET LIMITED
<b>*Austria</b>	Citibank, N.A., Milan Branch	<b>CITIATWX</b>	C16 or 275500	7906179	LCH.CLEARNET LIMITED
<b>Belgium</b>	Citibank International plc, London branch	<b>CITTGB2L</b>	4048	0006016469	LCH.CLEARNET LIMITED
<b>Denmark</b>	Nordea Denmark	<b>NDEADKKK</b>	020001007513239	6022300672	LCH.CLEARNET LIMITED
<b>Finland</b>	Nordea Bank Finland	<b>NDEAFIHH</b>	02 2000 10775666 4	6012300672	LCH.CLEARNET LIMITED
<b>France</b>	Citibank International plc, London branch	<b>CITTGB2L</b>	4048	0656737018	LCH.CLEARNET LIMITED
<b>Germany</b>	Citigroup Global Markets Deutschland AG & Co. KGaA	<b>CITIDEFF</b>	7256	21550900	LCH.CLEARNET LIMITED
<b>Italy</b>	Citibank, N.A., Milan Branch	<b>CITIITMX</b>	81660	1239659	LCH CLEARNET LIMITED
<b>Japan</b>	Citibank Japan Limited	<b>CITIJPJT</b>	0040181	160817	LCH CLEARNET LIMITED
<b>Netherlands</b>	Citibank International plc, The Netherlands Branch	<b>CITTGB2L</b>	4048	0000712450	LCH CLEARNET LIMITED
<b>Norway</b>	Den Norske Bank, Oslo	<b>DNBANOKK</b>	050050152300	6032300672	LCH CLEARNET LIMITED
<b>Norway–Exceptional Turquoise Norwegian Contracts</b>	Den Norske Bank, Oslo	<b>DNBANOKK</b>	050050157986	6012978199	LCH CLEARNET LIMITED
<b>Portugal</b>	Citibank International Plc, Lisbon	<b>CITIPTPX</b>	528	7001510180	LCH CLEARNET LIMITED

MARKET	Settlement Agent	Agent BIC	CSD Account Number	Safekeeping Account Number	Account Name
<b>Sweden</b>	Citibank International Plc, Sweden Branch	<b>CITISESX</b>	CIT	1011870	LCH CLEARNET LIMITED
<b>Czech Republic</b>	Citibank Europe plc, Organizacni Slozka	<b>CITICZPX</b>	8880180771	808001344134	LCH CLEARNET LIMITED
<b>Hungary</b>	Citibank Europe plc, Hungarian Branch	<b>CITIHUHX</b>	0410	7202416001	LCH CLEARNET LIMITED
<b>UK and Ireland</b>	Citibank, N.A, London Branch	<b>CITIGB2L</b>	ARMAY	N/A	LCH CLEARNET LIMITED

\*Please note for Austria instructions for Securities Transactions should be sent to CITIATWX. Trade updates and settlement/cancellation confirmations will be sent from CITIITMX

## LCH Cash Correspondents

MARKET	CASH ACCOUNT NUMBER	CCY	SAFEKEEPING ACCOUNT NAME	CASH CORRESPONDENT	CASH CORRESPONDENT SWIFT-BIC	IBAN NUMBER
Denmark	11767615	DKK	LCH CLEARNET LIMITED	Nordea Bank Denmark	NDEADKKK	GB84CITI18500811767615
Euro	0012306999	EUR	LCH CLEARNET LIMITED	Citibank International plc, London Branch	CITIGB2L	GB05CITI18500812306999
Norway	12300680	NOK	LCH CLEARNET LIMITED	Den Norske Bank, Oslo	DNBANOKK	GB92CITI18500812300680
Norway – Exceptional Turquoise Norwegian Contracts	12978199	NOK	LCH CLEARNET LIMITED	Den Norske Bank, Oslo	DNBANKOKK	GB18CITI18500812978199
Sweden	90401111875	SEK	LCH CLEARNET LIMITED	Citibank, N.A., London Branch	CITISESX	SE16 9040 0000 0904 0111 1875
Switzerland	40328521CHF	CHF	LCH CLEARNET LIMITED	Swiss National Bank	SNBZCHZZ	CH6308880040328521CHF
UK & Ireland	12202247	GBP	LCH CLEARNET LIMITED	Citibank, N.A., London Branch	CITIGB2L	GB80CITI18500812202247
UK & Ireland	12202239	EUR	LCH CLEARNET LIMITED	Citibank, N.A., London Branch	CITIGB2L	GB05CITI18500812202239
UK & Ireland	12202255	USD	LCH CLEARNET LIMITED	Citi N.A. New York	CITIUS33	GB05CITI18500812202255
Czech Republic	2058350109	CZK	LCH CLEARNET LIMITED	Citibank Europe plc, Organizacni Slozka	CITICZPX	CZ8426000000002058350109
Hungary	202416004	HUF	LCH CLEARNET LIMITED	Citibank Europe plc, Hungarian Branch	CITIHUHX	HU79108000077000000202416004
Australia	0206656018	AUD	LCH CLEARNET LIMITED	Citibank NA Sydney	CITIAU2X	N/A
Hong Kong	61683825	HKD	LCH CLEARNET LIMITED	Citibank NA Hong Kong	CITIHKHX	TBC
Hong Kong	61683833	USD	LCH CLEARNET LIMITED	Citibank NA Hong Kong	CITIHKHX	TBC
Japan	0160817402	JPY	LCH CLEARNET LIMITED	Citibank Japan Ltd	CITIJPT	N/A

**APPENDIX 2D.F**

**Buyer Election Notice**



**EquityClear Service**

**Request for Initiation of a Corporate Action Buyer Election**

Company name:

Address of Head Office:  
(or business address)

We hereby request LCH.Clearnet to initiate Buyer Protection on the following Voluntary Corporate Action

**Corporate Action**

Company/Issuer:

Terms/Options:

Ex date

Election Date:

Pay Date:

The Open transactions are across the following ASP

<b>ASP</b>	<input type="text"/>
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Our Settlement Account Name and ID are as follows

<b>Account Name</b>	<input type="text"/>
<b>Account ID</b>	<input type="text"/>

We wish to you to Elect as per our instruction on the following transactions:

Trade Date	Quantity	Consideration	ATP Trade Ref Number	ASP Ref Number	Election	Outturn Expected

**We agree that we have read and understood the LCH.Clearnet Rulebook in particular Section 2D.15-Corporate Actions and that this election is made in compliance of the relevant procedures.**

Contact Details

Name	Position	Phone Number
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Authorised Signatory**

<input type="text"/>		
<input type="text"/>	<input type="text"/>	<input type="text"/>
Name	Title	Date

FOA – LCH.Clearnet Business Operations Department  
**Telephone Number: +44 (0)20 7426 7601**  
**E-mail – [EquityClearBusinessOps@lchclearnet.com](mailto:EquityClearBusinessOps@lchclearnet.com)**

**We as Members will confirm timely receipt of this Election by following up with the above contact.**