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2F. EDX LONDON**2F.1 INTRODUCTION**

These Procedures form part of the Regulations (the General Regulations, Default Rules and Procedures of the Clearing House) and must be read in conjunction with the other parts of the Regulations. Clearing Members must inform themselves fully of their obligations under the Regulations and under other relevant documentation, such as the Clearing Membership Agreement, the terms of any approval by the Clearing House to extend clearing activities, and any applicable EDX NCM-GCM Agreement.

Clearing Members should also be familiar with the EDX Rules and the rules and procedures of the Approved EDX Settlement Provider (ASP EDX) through which settlement is effected. Such documents are subject to change.

Clearing Members should note that:

(1) where any benefit or thing arises as a result of a Corporate Event (see paragraph 2F.14) these Procedures apply to such benefit or thing whether or not the benefit or thing so arising consists of any EDX securities; and

(2) 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 or other documentation of EDX London, any Co-operating Clearing House, Co-operating Exchange Linked or any ASP EDX), these Procedures shall prevail.

Subject to Regulation [39 (e)] the clearing house shall not be liable for any loss or damage of any kind whatsoever suffered by a clearing member, NCM EDX or anyone else arising out of or connected with:

(1) any inconsistency or conflict between any provision in the General Regulations, Default Rules and Procedures of the Clearing House or other Clearing House documentation, and the rules and other documentation of EDX London or any Co-operating Clearing House, Co-operating Exchange or any ASP EDX;

(2) any statement contained within the rules and other documentation of EDX London or any Co-operating Clearing House, Co-operating Exchange or any ASP EDX.

2F.1.1 Definitions

For the sake of simplicity, the term “EDX Transaction” is used in these Procedures to mean an EDX Orderbook Match, Reported Trade, Cross-Border Re-registration or Cross Border Transfer (as defined in the Definitions section of the Regulations), which is eligible for registration by the Clearing House pursuant to the EDX Regulations.

2F.1.2 Enquiries

Enquiries regarding these EDX Procedures or any other aspects of the operation of the EDX Service should be directed to the Business Operations Department on [+44 (0)20 7426 7688]. Enquiries regarding margining and Clearing Member status should be directed to the Risk Management Department on [+44 (0)20 7426 7520].

Full details of contact points may be found on the Clearing House website (<http://www.lchclearnet.com>).

2F.1.3 **Service Use**

Where any Clearing Member wishes to participate in any part of the Clearing House EDX services it must first seek appropriate authorisation from the Clearing House.

Details of how to obtain such authorisations may be obtained from the Membership Department on [+44 (0)20 7426 7891/7078]. The Clearing Member must comply with all Clearing Member status, and other, requirements of the Clearing House (including requirements relating to settlement). In particular with regard to settlement that Clearing Member must at all times ensure:

- (i) appropriate stock account/s is/are nominated and available in the system of the ASP EDX for making or taking delivery of securities resulting from the exercise/expiry of any EDX Eligible Product; and
- (ii) a fully operational cash account is nominated and available in the system of the ASP EDX in respect of each currency in which an EDX Transaction may be concluded

Where required by these Procedures, all relevant power of attorney documentation has been fully and properly completed for the relevant ASP EDX with a copy sent to the Clearing House. A copy of the relevant Power of Attorney for use with regard to SIS can be requested from the Membership Department on [+44 (0)20 7426 7891/7078].

Failure to meet the requirements set out in (i) and (ii) above (and other applicable requirements) may result in that Clearing Member not having appropriate settlement arrangements in place or not fulfilling the relevant criteria prescribed in the EDX Regulations for registration of an EDX Transaction.

In the event that, at the time when the Clearing House or its agent receives the details of any EDX Transaction for registration, the Clearing Member in whose name that trade is to be registered has not made available a fully operational cash account or stock account in the system of the ASP, for settlement purposes in respect of that EDX Transaction, then the Clearing House may, in its absolute discretion, nevertheless decide to register that EDX Transaction. In such circumstances, the Clearing House may make such arrangements as it considers appropriate in order to facilitate the proper and orderly settlement of that EDX Transaction. The Clearing House is entitled in those circumstances to debit the PPS account of the Clearing Member for all costs and expenses incurred by the Clearing House.

2F.1.4 **Use of agents for settlement and/or delivery purposes**

Where the Clearing House receives an instruction from a Clearing Member, requesting or requiring that settlement and/or delivery of any Eligible Product be carried out by any third party acting as agent or other representative of that Clearing Member ("Delivery/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 Clearing Member shall remain responsible for meeting all obligations to the Clearing House with regard to settlement and delivery under the Regulations (including these Procedures) and any other applicable agreements.

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

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

2F.1.5 **Suspension of Trading**

For the avoidance of doubt, any action by EDX London or a Participating Exchange to suspend, de-list or take any other action with regard to an EDX Eligible Product shall not affect any obligations that a Clearing Member may have to the Clearing House with regard to any unsettled EDX Cleared Exchange Contract in that EDX Eligible Product.

2F.1.6 **Liability**

Clearing 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).

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.

2F.2 **GENERAL INFORMATION**

Only EDX Transactions which meet the relevant criteria for registration as set out in the EDX Regulations and the other requirements of the Regulations will be registered by the Clearing House as EDX Cleared Exchange Contracts.

Members should note that registration of Reported Trades is at the discretion of the Clearing House and subject to Members meeting the Clearing House's margin requirements with respect to those trades.

Subject to the requirements of the Regulations, participation in the Clearing House EDX services is available to:

- (i) any Clearing Member who has been and remains approved by the Clearing House to participate in the Clearing House EDX Services and
- (ii) any NCM - see section 2F.2.1 below - who has been admitted to and who remains on the Register of EDX NCMs.

2F.2.1 **EDX Transactions of EDX NCMs**

The Clearing House has a form of agreement, known as the EDX NCM-GCM Agreement. It sets out the terms which apply to the supply by the Clearing House of clearing services in respect of EDX Transactions to which persons who are not Clearing Members of the Clearing House are party and whose names are included

in the “Register of EDX NCMs” held by the Clearing House, and who are known as “EDX Non-Clearing Members” or “EDX NCMs”.

Where any Clearing Member is authorised by the Clearing House to participate in the Clearing House EDX Services and that Clearing Member wishes the Clearing House to become party to EDX Transactions initiated by an NCM then it must first enter into an EDX NCM-GCM Agreement with that NCM (in the form prescribed by the Clearing House) 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 Membership Department on +44 (0)20 7426 7891/7078 will provide details of the correct form to be used in putting forward such Agreement for approval by the Clearing House.

The receipt by the Clearing House of an EDX NCM-GCM Agreement in the prescribed form, signed by a Clearing Member approved by the Clearing House to clear EDX Transactions (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 EDX Transactions 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 apply for Clearing Member status must ensure that it has terminated the EDX NCM to which it is party according to the terms of that agreement, prior to submitting in its new capacity any EDX Transactions for clearing. Failure to do so may result in delay in registration of trades or their rejection.

Deliveries with regard to EDX Cleared Exchange Contracts may only be made through one of the settlement systems approved by the Clearing House for such purposes (“Approved EDX Settlement Provider” or “ASP EDX”). Clearing Members must familiarize themselves with all operating procedures and applicable rules of the relevant ASP EDX. The table below sets out details of which ASP EDXs have been approved by the Clearing House.

Approved Settlement Provider EDX (ASP EDX)	Clearing House (LCH.Cleernet Ltd) Settlement Details
Vardepapperscentralen VPC AB's (VPC) VP System	SEB (Stockholm) SCA - 01-100 089 888 Bic code: ESSESESS
Verdipapirsentralen's (VPS) VP system	Nordea (Copenhagen) SCA - 20001004481115 Bic Code: NDEADKKK
Verdipapirsentralen's (VPS) VP system	Nordea (Oslo) SCA - 06004 0060273 Bic Code: NDEANOKK
Suomen Arvopaperikeskus Oy (APK)	Nordea (Helsinki) SCA -02 2000 9311457 1 Bic Code - NDEAFIHH

Approved Settlement Provider EDX (ASP EDX)	Clearing House (LCH.Clearnet Ltd) Settlement Details
CREST	UK Participant Id – GLMAY
Euroclear	USD Account – 10167
SegalInterSettle (SIS)	CHF BP Id - GB101215 SCA – 2028944
The Depository Trust and Clearing Corporation (DTCC)	Citibank NA Account number 848904 Participant code 0908

2F.2.2 **Power of Attorney**

The Clearing House operates Power of Attorney for settlement in some Approved Settlement Providers for its EDX Clearing Services. It is intended that the use of a Power of Attorney, where it is available, will facilitate the matching of settlement instructions at the relevant ASP EDX, and eradicate settlement failure arising as a consequence of unmatched trades.

Where such a Power of Attorney system is in operation for an ASP EDX, Clearing Members are required to provide a Power of Attorney in the form approved by that ASP EDX and the Clearing House for each such ASP EDX.

Under a Power of Attorney the Clearing House sends matching settlement instructions to an ASP EDX on the Clearing Member's behalf.

A copy of the relevant SIS Power of Attorney form can be requested from the Membership Department on +44 (0)20 7426 7891/7078.

For ASPs where Power of Attorney is not available, Clearing Members or their agents must enter their own settlement instructions.

2F.2.3 **Service timetable**

Operating Times:

The Clearing House will publish by Clearing Member circular and on its website (<http://www.lchclearnet.com>) details of the days and times during which the Clearing House EDX Services will be operational ("EDX UK Business Days").

Trade Acceptance Hours:

Please refer to the trade acceptance hours of EDX London on their website.

2F.2.4 **Member Reporting**

Clearing Members are able to receive their Clearing House position information in respect of EDX Transactions via the BCS. Banking reports, which incorporate an overview of margin requirements and daily cash payments and receipts, are available via existing Clearing Member reporting mechanisms – BCS, TRS/CPS, LME Matching and Clearing, or the LCH Member Reporting website.

EDX notifies Clearing Members of certain information under its rules via various "Notes" e.g. Settlement Note, Delivery Instruction Note, Expiration Settlement Note. Such reports are issued on behalf of the Clearing House in cases where they indicate obligations as between Clearing Members and the Clearing House.

Detailed margin parameters files are made available to Clearing Members daily on LCH Member Reporting website. There is no printed hard copy report distributed for any part of the EDX service. Any queries in connection with margin parameters or reporting should be directed to the Risk Management Department on +44 (0)20 7426 7520.

2F.2.5 **Static Data**

Prior to submission of any EDX Transactions for registration a Clearing Member is required to complete a Static Data Form.

Copies of the prescribed form can be requested from the Membership Department on +44 (0)20 7426 7891/7078.

Failure to complete and submit the Static Data Form in respect of the particular type of EDX Product may result in the rejection of trades.

2F.3 **REGISTRATION**

2F.3.1 **General**

Each EDX Transaction must pass the Clearing House's validation procedures to enable it to be registered.

Each Clearing Member authorised to participate in the Clearing House EDX Services and each EDX NCM, must be familiar with the operating procedures and deadlines of EDX London.

Each Clearing Member and each NCM requires the express written approval of the Clearing House in order to participate in the Clearing House EDX Services. Details of how such approval may be obtained are available from the Membership Department on +44 (0)20 7426 7891/7078.

2F.3.2 **Intra-Day Registration**

The Clearing House registers all EDX Orderbook Matches and other eligible EDX trades on an intra-day basis. Registration occurs when they pass all of the Clearing House's validation procedures.

Registration of Reported Trades is at the discretion of the Clearing House and subject to Members meeting the Clearing House's margin requirements with respect to those trades.

2F.4 **POSITION AND FINANCIAL ACCOUNTS**

2F.4.1 **Member Accounts**

For identification purposes each member is assigned a unique three-character mnemonic. A Clearing Member's position and financial information are further identified by a single character code: H for house and non non-segregated business; C for segregated client business; and F for Default Fund contributions. The H and F account are obligatory, the C account is optional. All other accounts are administrative and do not constitute Member accounts as defined in Regulation 5.

2F.4.2 **Position-keeping accounts**

Positions are recorded within the clearing system (BCS) in position-keeping accounts which are not Member Accounts as described in Regulation 5.

The basic account types are; house account (this account represents a Clearing Member's principal business); customer/agent account; market maker account; and reject account (this account represents "trades" which have not been assigned to an account").

2F.4.3 **Financial Accounts**

Member Accounts have Financial Accounts associated with them. These are used, among other things, to record cash balances, and securities/ documentary credits. Information contained within position-keeping accounts is mapped to financial accounts upon direction from the Clearing Member.

By accepting a trade into a position-keeping account a Clearing Member is also deemed to be designating that trade for the associated financial account. There is no facility to change the designation once the market contracts have been registered.

2F.4.4 **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 at 3 months 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; and Q for accounts holding supplementary financial resources.

2F.5 **MARGINING**

The Clearing House will margin all outstanding EDX Cleared Exchange 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. Questions regarding the margining of EDX Cleared Exchange Contracts should be directed to the Risk Management 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.

2F.5.1 **Initial Margin**

The Clearing House will require Clearing Members to post Initial Margin.

Initial Margin requirements will be determined using the SPAN algorithm.

2F.5.1.1 **Initial Margin Parameters**

The margin parameters for SPAN used in the Initial Margin calculation will be made available by the Clearing House on the website. 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.

2F.5.2 **Variation Margin**

All open contracts have variation margin calculated daily by the Clearing House in accordance with EDX's Rules. The official quotation is used as the market price. Profits or losses are either credited or debited from the Clearing Member's financial accounts (realised margin) or they form non-realised contingent liabilities or credits.

2F.5.2.1 **Realised Variation Margin**

Realised margin is the calculated profit or loss arising from a comparison between the value of open positions at the relevant official quotations with the value of positions recorded in BCS; i.e. the trade price for new trades and the previous day's official quotation for other positions. All futures contracts' variation margin amounts are realised into postings to Clearing Members' financial accounts.

2F.5.2.2 **Contingent Variation Margin**

Contingent Variation Margin is calculated with reference to the original trade or delivery price and the relevant official quotation. Contingent Variation Margin is applicable to all 'forward style' future contracts.

2F.5.2.3 **Option Variation Margin**

Option variation margin (also known as Option Net Liquidation Value or Option Market Value) is the value of the unexpired options, calculated with reference to the official quotation. Bought and sold options generate credit and debit option variation margin respectively.

2F.5.3 **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 intraday adjustment to a Clearing Member's liabilities at 13:00 hours each business day using current market prices and current Clearing

Members' positions. In the event that a Clearing Member has insufficient cover with the Clearing House, an intra-day PPS call will be issued. Times are given as London time.

In addition, the Clearing House reviews the Initial and Variation Margin requirements of each Clearing Member throughout the business day. In the event of an increase in a Clearing Member's liability, the Clearing House will make further intra-day adjustments on a Clearing Member specific basis. In the event of a Clearing 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.

2F.6 **INSOLVENCY AND DEFAULT**

2F.6.1 **Insolvency of an Issuer**

For the avoidance of doubt, Clearing Members are advised that their obligations set out in these Regulations and Procedures and any other relevant agreements with the Clearing House including but not limited to obligations regarding settlement and delivery continue notwithstanding any suspension of trading in such securities on any Exchange (including EDX, any Co-operating Exchange and Co-operating Clearing House) or other trading platform and notwithstanding that the Issuer of such securities 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 any other event of a similar nature occurs.

Where settlement of any securities cannot take place because of a court, administrative or regulatory order or because of an insolvency event affecting the Issuer of such Securities, the Clearing House may in its discretion, give notice to Clearing Members who are party to open 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.

2F.6.2 **Default of an NCM**

In the event that an NCM ("the Defaulting NCM") is declared to be in default by EDX London in accordance with their default rules, the Clearing Member with whom that NCM has a subsisting EDX NCM-GCM Agreement, remains fully responsible for meeting all obligations to the Clearing House in respect of all contracts arising from trades executed on EDX by or on behalf of that NCM. Similarly where a non-EDX London member ("the OSE Defaulter") clearing through OSLO Clearing (OC) (directly or indirectly) is declared to be in default by OC, OC remains fully responsible for meeting all obligations to the Clearing House in respect of all EDX Cleared Exchange Contracts arising from the trades executed or entered into on or through the joint order book or otherwise registered by EDX London as EDX Transactions by that OC Defaulter.

2F.6.3 **Suspension of the Open Offer in respect of an NCM**

At any time while a valid EDX NCM-GCM Agreement is in operation the Clearing Member party to such Agreement may request suspension of the EDX Open Offer (and/or, where applicable, registration of Reported Trades) 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 EDX NCM-GCM Agreement. They do not apply to the Clearing House's powers (as set out in Regulation 79 of the EDX Regulations) to suspend any part of the Clearing House EDX. These powers may be exercised in such manner as the Clearing House deems appropriate in the circumstances.

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 LCH'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.

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.

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.

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 EDX London.

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 NCM Agreement/s to which the Clearing Member and the NCM are party;
- (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 EDX London of that Clearing Member's intention to request suspension and the identity and telephone number of the person to whom such notification was given.

Any telephone request for suspension may only be made to the following telephone number during the following times:

Clearing House Membership Department +44 (0)20 7426 7891/7078

09:30 – 17:30 hours London time on any EDX UK Business Day

It must promptly be confirmed by facsimile (addressed to the Head of Risk Management, LCH.Clearent 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.Clearent 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 EDX UK Business Day. Delivery may be effected by post, or courier.

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, EDX London and each relevant ASP EDX and such other persons as it considers appropriate in the circumstances.

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 2F.8.8. 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.

For these purposes the following constitutes giving effect to a request for suspension by the Clearing House in respect of an NCM:

Notification to EDX London, in accordance with any procedures as may be agreed from time to time with EDX London, 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 EDX Transaction executed or entered into or reported 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 trades of that NCM until further notice (that period being the "period of suspension").

During the period of suspension the Clearing House will be entitled to decline to register any EDX Transaction executed or entered into or reported by or on behalf of that NCM.

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 EDX NCM Agreement and under the Regulations and these Procedures in respect of any trade (and any subsequent 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 fulfillment of its obligations to the Clearing House in respect of any trade which is submitted for registration and is registered by the Clearing House during the period of the suspension.

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 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.

2F.7 **OPTION EXERCISE AND EXPIRY**

Clearing Members should note that option contracts must be exercised either manually or automatically through BCS in accordance with the relevant EDX Rules, other relevant EDX London documentation which set out times at which notification of exercise must be given and the Clearing House General Regulations and these Procedures.

On expiry an automatic exercise facility is available. Once a deadline is met, the ability to exercise is withdrawn. For full details Clearing Members should consult the relevant EDX London documentation.

When an option is exercised, a delivery or cash settlement obligation will arise, depending on the contract terms. Options that are not exercised (i.e. deny exercise request) by the time of expiry will expire worthless.

2F.7.1 **Non Standard Exercise of Options**

Stock Options

Stock options for EDX Orderbook Matches are American style (Tailor Made contracts and Reported Trades can be either American/European style) and accordingly Clearing Members are permitted to input exercise orders at any time during the lifetime of the option. Exercise orders may be submitted either via the BCS or via fax to EDX London in the manner and times prescribed in the EDX Rules.

2F.7.2 **Standard Exercise of Options**

Stock Options

Automatic exercise instructions for **all** option contracts are pre-set to exercise those contracts 1% above or below the reference price for the underlying stock. Automatic exercise of in-the-money options can be overridden by Clearing Members on any option contract by submitting a deny exercise order request in the manner and times prescribed in the EDX Rules.

Clearing Members wishing to exercise an out-of-the-money option, or an option that is not to be automatically exercised, must input an instruction via the manual exercise screen or by submitting a fax to EDX London.

Index Options

Index options are European style and accordingly are only subject to exercise on the expiry day. Automatic exercise instructions for **all** option contracts are pre-set to exercise those contracts whose strike price is above or below reference price. Automatic exercise of in-the-money options can be overridden by Clearing Members on any option contract by submitting a deny exercise order request in the manner and times prescribed in the EDX Rules.

Clearing Members wishing to exercise an out-of-the-money option, or an option that is not to be automatically exercised, must input an instruction via the manual exercise screen or by submitting a fax to EDX London.

2F.7.3 **Reference Prices**

The reference prices to determine option exercise used by BCS on the expiry day shall be calculated in accordance with the contract terms as outlined in the EDX Rules.

2F.8 **SETTLEMENT**

2F.8.1 **Daily Cash Settlement**

Certain EDX Eligible Products will be subject to a daily cash settlement. The daily cash settlement of a contract is a cash payment derived by reference to the traded/registered price and the official closing price for the contract. The daily cash settlement amount is debited from or credited to Clearing Members' financial accounts in the original currency of the contract.

A list of EDX Eligible Products that are subject to a daily cash settlement can be found in the EDX Rules.

2F.8.2 **Interim Cash Settlement for Cleared Only Contracts**

The interim settlement occurs on a monthly basis in accordance with the contract terms as outlined in the EDX Rules. The cash payment settlement day takes place in accordance with the contract terms.

The interim settlement amount is derived by reference to:

For Mortgage Bonds or a Credit Market Instrument, the difference in value between the Interim Settlement Yield and the Transaction Yield.

For the STIBOR-FRA and NIBOR-FRA contracts the difference between the Interim Settlement Rate and the Registered Rate.

2F.8.3 **Final Cash Settlement**

Cash settlement is the final settlement of a contract by way of a cash payment derived by reference to:

For futures, the difference between the expiry price and the price of the contract from the previous business day.

For options, the difference between the option reference price and the strike price.

The cash settlement amount is debited from or credited to Clearing Members' financial accounts in the original currency of the contract.

2F.8.4 **Option Premium**

Option premium on all contracts are settled up-front on the business day after the day of trade. The traded premium is debited from the buying Clearing Member's financial account, and credited to the selling Clearing Member's financial account in the currency of the contract.

2F.8.5 **Delivery**

Contracts remaining open at expiry are settled by physical delivery of the underlying at the price, EDSP as determined by the relevant contract terms.

2F.8.6 **Official Quotations**

Official quotations are based on 'closing price', 'base prices', 'expiration settlement price' or 'fixing price' and are supplied by EDX London at the close of business each business day.

Should EDX London fail to determine official quotations the Clearing House will itself determine these as necessary. This will be done at the Clearing House's discretion and be announced as soon as possible.

2F.9 **DELIVERY PROCEDURES**

Clearing members should note that the Clearing House administers all deliveries in EDX Cleared Exchange Contracts. Such deliveries are made through the respective Approved EDX Settlement Provider (ASP EDX) for each country.

All deliveries resulting from a stock future / fixed income expiry or stock option exercise instruction must be made net. In the event that a Clearing Member is due to make delivery to the Clearing House and take delivery from the Clearing House in the same security, it is the responsibility of such Clearing Member to ensure that such contracts are sent net in accordance with these General Regulations, Default Rules and Procedures and the EDX Rules. For clarity, Clearing Members holding net open positions for a future, forward and an option contract in the same security shall make one net delivery, which will incorporate futures, forwards and options. Clearing Members should be familiar with the procedures, documentation and deadlines, etc. each of ASP EDX.

Where the Clearing House does not operate a Power of Attorney system for the relevant ASP EDX 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.

Tolerance Matching

Clearing Members must ensure that the Clearing House's settlement amount is perfectly matched in accordance with the Clearing House's delivery Instructions. In the event that a seller fails perfectly to match the Clearing House's settlement amount, any tolerance applied will be debited. Such funds should be paid to the Clearing House as a "cash only" delivery through the relevant ASP EDX in

accordance with the Clearing House's instructions. In the event that a Clearing Member fails or omits to match the Clearing House's instruction then the Clearing House will debit the relevant funds through the PPS account of the Clearing Member.

2F.9.1 **Delivery Timetables**

All times in all timetables are London time.

2F.9.1.1 **Equities Summary Timetable**

DAY	TIME	ACTION
Exercise day plus one	By 10:00 By the close of business	Delivery Instruction Note available All settlement instructions submitted to the relevant ASP EDX
Exercise day plus two	By 12:00 At 09:00	All unmatched settlement instructions to be matched The seller must ensure that the stock is held in its account
Intended Settlement day	At 09:00 By the close of Delivery Versus Payment Settlement cycle in the relevant ASP EDX	The buyer must ensure that the settlement amount is held in its account Movement of shares complete Members who have failed to deliver must contact the Clearing House to give reasons for the failure
Intended Settlement day plus one		The Clearing House releases Initial and non-realised Variation Margin for settled instructions

2F.9.1.2 **Russian DR: Summary Timetable - Euroclear**

DAY	TIME	ACTION
Exercise day plus one	By 10:00 By the close of business	Delivery Instruction Note available All settlement instructions submitted to the relevant ASP EDX
Exercise day plus two	By 12:00 At 09:00	All unmatched settlement instructions to be matched The seller must ensure that the stock is held in its account
Intended Settlement day	At 09:00 By the close of Delivery Versus Payment Settlement cycle in the relevant ASP EDX	The buyer must ensure that the settlement amount is held in its account Movement of shares complete Members who have failed to deliver must contact the Clearing House to give reasons for the failure

Intended Settlement day plus one		The Clearing House releases Initial and non-realised Variation Margin for settled instructions
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2F.9.1.3 **Russian DR: Summary Timetable – DTCC**

DAY	TIME	ACTION
Exercise day plus one	By 10:00 By the close of business	Delivery Instruction Note available All settlement instructions submitted to the relevant ASP EDX
Exercise day plus two	At 09:00	The seller must ensure that the stock is held in its account
Intended Settlement day	At 09:00 By the close of Delivery Versus Payment Settlement cycle in the relevant ASP EDX	The buyer must ensure that the settlement amount is held in its account Movement of shares complete Members who have failed to deliver must contact the Clearing House to give reasons for the failure
Intended Settlement day plus two		The Clearing House releases Initial and non-realised Variation Margin for settled instructions

2F.9.2 **Equities Delivery Procedures**

Deliverable Equities

A “deliverable equity” means the equity underlying an equity futures/option contract, published (from time to time) by EDX London.

If an equity underlying an equity contract is subject to a corporate event the deliverable security may become a combination of shares and entitlements. Should such a corporate event occur, Clearing Members will be advised of the settlement details by the issue of an ‘Exchange Notice’ or by other means determined by EDX London.

2F.9.2.1 **Exercise Day Plus One**

By 10:00 hours

Members shall receive their delivery obligations by reference to the Delivery Instruction Note.

By 18:00 hours

The buyer is required to notify the Clearing House of any discrepancies in the information provided.

By 18:30 hours

The seller is required to notify the Clearing House of any discrepancies in the information provided.

By the close of business

Details of the delivery contracts must be submitted and matched in the relevant ASP EDX.

Clearing Members and where appropriate their settlement agent, must have successfully matched all trades with the Clearing House in the relevant ASP EDX by the times set out in these procedures.

It is the responsibility of the Clearing Member and, where appropriate, their settlement agent, to contact the Clearing House and agree any amendments required to achieve matched status.

The following fields must be completed when submitting entries to the relevant ASP EDX

- (a) Intended Settlement Date
- (b) Settlement account details/ BIC code
- (c) Consideration / Settlement Amount
- (d) ISIN code
- (e) Quantity
- (f) Transaction Date

2F.9.2.2 **Exercise day plus two**

At 09:00 hours

The Clearing Member or their settlement agent must have successfully matched all trades with the Clearing House at the relevant ASP EDX.

The seller shall ensure the stock is lodged in their nominated settlement account.

2F.9.2.3 **Intended Settlement Day**

At 09:00 hours

The buyer shall ensure that the settlement amount is held in their nominated settlement account.

2F.9.3 **Russian DR Delivery Procedures**

Deliverable Equities

A “deliverable Russian DR” means the Depository Receipt underlying an equity futures/option contract, published (from time to time) by EDX London.

If a Depository Receipt underlying a Russian DR contract is subject to a corporate event the deliverable security may become a combination of shares and entitlements. Should such a corporate event occur, Clearing Members will be

advised of the settlement details by the issue of an 'Exchange Notice' or by other means determined by EDX London.

2F.9.3.1 **Exercise Day Plus One**

By 10:00 hours

Members shall receive their delivery obligations by reference to the *Delivery Instruction Note*.

By 18:00 hours

The buyer is required to notify the Clearing House of any discrepancies in the information provided.

By 18:30 hours

The seller is required to notify the Clearing House of any discrepancies in the information provided.

By the close of business

Details of the delivery contracts must be submitted to the relevant ASP EDX.

Clearing Members and where appropriate their settlement agent, must have successfully matched all trades with the Clearing House in Euroclear and/or sent all settlement instructions to the DTCC by the times set out in these procedures.

It is the responsibility of the Clearing Member and, where appropriate, their settlement agent, to contact the Clearing House and agree any amendments required to achieve matched status.

The following fields must be completed when submitting entries to the relevant ASP EDX.

- (a) Intended Settlement Date
- (b) Settlement account details/ BIC code
- (c) Consideration / Settlement Amount
- (d) ISIN code
- (e) Quantity
- (f) Transaction Date.

2F.9.3.2 **Exercise day plus two**

At 09:00 hours

The seller shall ensure the stock is lodged in their nominated settlement account.

Where settlement is occurring in Euroclear the Clearing Member or their settlement agent must have successfully matched all trades with the Clearing House at the relevant ASP EDX.

2F.9.3.3 Intended Settlement Day***At 09:00 hours***

The buyer shall ensure that the settlement amount is held in their nominated settlement account.

2F.10 INTENDED SETTLEMENT DAY***By the close of Settlement in the Relevant Settlement System***

Securities will have passed from the selling members' nominated settlement account in the relevant ASP EDX to the Clearing House's account in that ASP EDX and then into the buying members' nominated account therein on the Intended Settlement Day.

Clearing Members must ensure that their credit facilities (or where appropriate, the credit facilities of their settlement agent) permit trades to settle during settlement on the Intended Settlement Day.

Following the close of Settlement in the relevant ASP EDX, Clearing Members must notify the Clearing House of any failed deliveries and confirm what measures have been taken to facilitate delivery:

Clearing Members are reminded they are responsible for the timely settlement of delivery contracts.

2F.11 FAILED SETTLEMENT

In the event that any delivery to the Buying Member or its agent in respect of any deliverable EDX Cleared Exchange Contract has not been finalised by that Buying Member before close of settlement in the relevant ASP EDX on the intended settlement date and this has been caused by the failure or omission to match by or on behalf of the Buying Member or the failure or omission by that Clearing Member to have sufficient funds available within that settlement system, the Clearing House may take steps to investigate and review the situation.

Where any delivery in respect of an EDX Cleared Exchange Contract has not been finalised by or on behalf of the Selling Member prior to close of settlement in the relevant ASP EDX system on the intended date of settlement, the Clearing House will treat this as a settlement failure.

The Clearing House will continue to charge initial and variation margin to both Buying Member and Selling Member 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 EDX Cleared Exchange Contracts to which that Clearing Member is party.

2F.11.1 Non-Delivery of Stock

If a selling member or their settlement agent has not made delivery to the Clearing House by the close of settlement in the relevant ASP EDX on the intended settlement day the Clearing House shall take whatever action is appropriate in

keeping with its obligation to deliver securities to the buying member or their settlement agent.

All costs, charges and expenses incurred by the Clearing House will be charged to the Seller, via the relevant PPS account.

2F.11.2 **Buying-In – Scandinavian Equity Deliveries**

As soon as reasonably practical the Clearing House will contact Clearing Members who have failed to deliver 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 relevant ASP EDX.

In the event that a Selling Member does not fulfil its delivery obligations in respect of any EDX Cleared Exchange Contract 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 EDX London or any Co-operating Exchange regarding buying-in.

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 the system of the relevant ASP EDX 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 EDX Cleared Exchange Contract 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 EDX Cleared Exchange Contract obligation within 5 business days (business day in this provision means a trading in the relevant Scandinavian market).

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.

2F.11.3 **Buying-In – European, UK and Swiss Equity Deliveries (excluding Cleared Only UK Stock)**

Buying-in Request

A buying Member who has not received settlement under on the Intended Settlement Date (ISD) may request the Clearing House to initiate the buying-in process by completing and forwarding to LCH.Cleernet Limited Business Operations, the form entitled "Request to Initiate Buying in Process", a specimen of which appears at Appendix 2F.A to these Procedures.

The Clearing House will only action such a Request if it is received by it on or after 09:00 hours (London time) on the third EDX UK Business Day after the ISD

(ISD+3). Upon receipt of the duly completed Request the Clearing House will do what it reasonably can to identify a Selling Member (usually based on the oldest unsettled position(s)) and issue a "Buying-In Notice" to that person informing them that buying-in will be instigated on the second business day after the Notice Date.

Any "Request to initiate buying-in" received by the Clearing House after 12:00 hours London time will be deemed to have been received on the next following EDX UK Business Day.

No amendment or withdrawal

A Clearing Member is not permitted to withdraw or amend a Request once the Clearing House has received it. If a Clearing Member, having submitted a Request wishes to increase the amount to be bought-in, a new request in the form a new Request to initiate buying-in" must be completed and delivered to LCH.Clearent Ltd Business Operations.

Buy-in Notices

In the event that the Clearing House does not receive such a Request from a buying Member by ISD + 10 (Intended Settlement Day plus ten), the Clearing House will nevertheless issue a notice (a "Buying-in Notice") to the Selling Member informing them that buying in will be instigated on the second EDX UK Business Day after the issue of such notice. If that Selling Member still does not deliver the securities prior to the close of settlement in the system of the relevant ASP EDX on the date specified in the Buying-in Notice, the Clearing House will purchase the relevant number of securities required to settle the outstanding delivery for the shortest settlement period possible and deliver them to the Buying Member.

A Buying-in Notice is sent to the nominated settlement agent with a copy sent to the Clearing Member, where different. In the event that the Clearing House experiences any difficulty in dealing with the settlement agent, the Clearing House will contact the Clearing Member for assistance. Clearing Members are reminded that, notwithstanding that a settlement agent might have been nominated, the Clearing Member remains legally responsible for settlement.

Buying-in process

On the day nominated by the Clearing House in the Buying-In Notice for buying in ("Buying-in Day"), the Clearing House will use its reasonable commercial endeavours to obtain the relevant securities for settlement on T+3 (Trade day plus three) or earlier. The Clearing House will match an instruction with its buying-in agent. The instruction will include the consideration and any dealing charges. The Clearing House will also match a similar instruction (including consideration and dealing charges) with the Selling Member.

If the Clearing House for any reason decides not to buy-in the full amount of securities on the Buying-In Day, or fails or omits to do so, the Clearing House will use reasonable endeavours to buy-in thereafter. If, by the close of business on the tenth EDX UK Business Day after and including Buying-In Day, the Clearing House has not bought-in the full amount of such Securities, the Clearing House may "Invoice Back" the relevant outstanding delivery positions pursuant to Regulation 28.

Charges

Where a Buying-in Notice is issued, the Selling Member concerned will be liable to pay the Clearing House for all its costs and expenses in relation thereto including but not limited to execution of the buying-in pursuant to that Notice. Such costs and expenses will include any dealing and other charges incurred by the Clearing House to its buying-in agent. The Clearing House will also charge an administration fee of £25 plus any applicable VAT per Buying-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).

2F.11.4 **Buying-In – IOB Russian Depository Receipts and Cleared Only UK Stock**

Where a member fails to deliver IOB Depository Receipts ("DRs") or underlying Cleared Only UK Stock in accordance with the instructions of the Clearing House for a period of three business days from the Expiration settlement day, a penalty fine of Federal Funds Rate (FFR) + 300 Basis Points (BP) or a penalty fine of Bank of England Base Rate + 300 Basis Points (BP) respectively based on the value of the payment amount to be received will be charged to the member by the Clearing House on behalf of EDX London. This amount will accrue on a daily basis from the third business day following the expiration settlement day until such time that the IOB DRs or Underlying Cleared Only UK Stock are settled in accordance with the instructions of the Clearing House. If the Member fails to deliver IOB DRs or Underlying Cleared Only UK Stock for a period of five days after the expiration settlement day, the buyer may at its sole discretion request the Clearing House to initiate either buying-in (with guaranteed delivery only) or cash settlement for the delivery. If after a period of thirty business days the seller has not settled in accordance with the instructions of the Clearing House, or the buyer has not opted for buying-in (with guaranteed delivery only) or cash settlement, the Clearing House will initiate buying-in (with guaranteed delivery only) or where it is unable to do this, compulsory cash settlement.

For purposes of cash settlement, the specified delivery settlement amount will be calculated based on either the Expiration Delivery Settlement Price (EDSP) on the expiration date or the closing price defined by the London Stock Exchange on the day on which cash settlement was initiated, the better price for the buyer will be used.

2F.11.5 **Cash Settlement – Russian IOB Depository Receipts and Cleared Only UK Stock**

Cash Settlement

A buying Member who has not received settlement on the Intended Settlement Date (ISD) may request the Clearing House to initiate the cash settlement process by completing and forwarding to LCH.Clearnet Limited Business Operations, the form entitled "Request to Initiate Cash Settlement Process", a specimen of which appears at Appendix 2F.A to these Procedures.

The Clearing House will only action such a Request if it is received by it on or after 09:00 hours (London time) on the third EDX Business Day after the ISD (ISD+3). Upon receipt of the duly completed Request the Clearing House will do what it reasonably can to identify a Selling Member (usually based on the oldest unsettled position(s)) and issue a "Cash Settlement Notice" to that person informing them that cash settlement will be instigated on the second business day after the Notice Date.

Any "Request to initiate Cash Settlement" received by the Clearing House after 16:00 hours London time for IOB DR's and after 17:00 hours London time for Cleared Only UK stock will be deemed to have been received on the next following EDX Business Day.

No amendment or withdrawal

A Clearing Member is not permitted to withdraw or amend a Request once the Clearing House has received it. If a Clearing Member, having submitted a Request wishes to increase the amount to be cash settled, a new request in the form a new Request to initiate Cash Settlement" must be completed and delivered to LCH.Cleernet Ltd Business Operations.

Cash Settlement process

On the day nominated by the Clearing House in the Cash Settlement Notice the Clearing House will remove its settlement instructions from the system of the relevant ASP EDX and with reference to EDX rules settle the outstanding contracts at, the higher of, the Expiration Delivery Settlement Price (EDSP) on the Expiration Date and the closing price defined by the London Stock Exchange on the day on which cash settlement was initiated.

Cash Settlement Notices

In the event that the Clearing House does not receive such a Request from a buying Member by ISD +30 (Intended Settlement Day plus thirty EDX business days), the Clearing House will nevertheless issue a notice (a "Cash Settlement Notice") to the Selling and Buying Members informing them that cash settlement will be instigated on the second EDX Business Day after the issue of such notice. If that Selling Member still does not deliver the securities prior to the close of settlement in the system of the relevant ASP EDX on the date specified in the Cash Settlement Notice, the Clearing House will cash settle the relevant positions.

Charges

Where a Cash Settlement Notice is issued, the Selling Member concerned will be liable to pay the Clearing House for all its costs and expenses in relation thereto including but not limited to an administration fee of £25 plus any applicable VAT per Cash Settlement 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).

2F.11.6 **EDX Inward Partialing**

It is a Selling Member's obligation to ensure full delivery of all securities to meet its delivery obligation. The Clearing House shall be under no obligation to accept any delivery to it of only a part or parts of a transaction.

Notwithstanding the above, the Clearing House may in its absolute discretion decide to accept a partial delivery or a request to do so, provided that this enables the Clearing House to fulfil any one or more onward delivery obligations in full. Any such request by the selling member should be made by contacting LCH by fax to +44 20 7426 7152 or by e-mail to LCHOperations-Equities@lchcleernet.com followed by a telephone call to +44 20 7426 7688.

In the event that the Clearing House decides to accept a partial request, the Selling Clearing Member shall ensure that the original settlement instructions into the relevant EDX Approved Settlement Provider (EDX ASP) relating to such transaction are deleted forthwith, and new settlement instructions are provided to the relevant EDX ASP in such terms as may be determined by the Clearing House. In the event that there is a failure or omission to comply with these provisions or settlement instructions are not deleted and new instructions entered the Clearing House may charge that Selling Clearing Member. The Selling Clearing Member shall pay any costs incurred by the Clearing House as a result of such failure or omission. Such costs will be debited from the Selling Members PPS account.

In the event that the Clearing House decides in its absolute discretion not to accept any partial delivery or request to do so, it shall be under no obligation to provide any reason for such decision.

2F.11.7 **EDX Outward Partialing**

The Clearing House may find itself in a situation where it may need to split deliveries in order to meet onward delivery obligations.

The Clearing House therefore may, in its absolute discretion, meet its obligations to deliver any securities by making two or more deliveries of such securities. Each such delivery shall be referred to in this section of these Procedures as a 'partial onward delivery'.

In such event it is the responsibility of the Buying Clearing Member to ensure that any onward partial delivery is accepted. In the event that the Clearing House makes any such request, the Buying Clearing Member shall ensure that its original settlement instruction(s) are deleted, and shall ensure that new settlement instructions are entered in accordance with Clearing House instructions.

In the event that a Buying Clearing Member fails or omits to comply with these provisions or settlement instructions are not deleted and new instructions entered as set out above, or such partial delivery is not accepted, the Clearing House may charge that Buying Clearing Member and the Buying Clearing Member shall pay any costs incurred by the Clearing House as a result of such failure or omission. Such costs will be debited from the Clearing Member's PPS account.

2F.11.8 **Daylight Indicator**

Clearing members must ensure that their transactions are marked with a Daylight Indicator in Euroclear so that settlement can occur during Daylight Settlement. In the event that a Clearing Member fails to settle during Daylight Settlement the Clearing House reserves the right to charge for any losses and expenses incurred as a result of non settlement, such losses and expenses will be debited via the Clearing Member's PPS account.

2F.12 **BAD DELIVERY**

Where settlement is unfulfilled or unwound within the system of the ASP EDX 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 Members who are party to the relevant EDX Cleared Exchange Contract in order that settlement and delivery may be achieved at the earliest opportunity.

2F.13 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 security which is the subject of an EDX Cleared Exchange Contract or in respect of any Corporate Event related to any such security, 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 relevant EDX Cleared Exchange Contract, 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 EDX with regard to withholding and other taxes.

2F.14 CORPORATE EVENTS

The Clearing House shall not be responsible for doing any acts with regard to any corporate event (for example a rights issue, dividend payment or other corporate entitlement) relating to any security underlying any EDX Cleared Exchange Contract other than set out below.

For the purposes of these Procedures, the term 'Corporate Event' is used only to refer to a corporate event of any description relating to any security underlying an EDX Cleared Exchange Contract.

While the Clearing House will do what it reasonably can to do the things set out below it shall have no liability for any loss or damage arising out of or connected with any action or inaction on its part or on the part of EDX London or otherwise carried out on its behalf or otherwise in connection with any corporate event.

The Clearing House does not take responsibility for providing or forwarding any information, or delivering any notice or instruction received by the Clearing House to any Clearing Member regarding any Corporate Event.

In the event that a Member fails to take delivery of securities by the final date for delivery of such securities, due to insufficient funds, failure to match, by not allowing transactions to settle because of priority settings or for any other reason, the Clearing House may charge to that Clearing Member any costs incurred by the Clearing House as a result thereof.

2F.14.1 Corporate Event Processing on Open EDX Cleared Exchange Contracts

Adjustments to open positions for EDX Cleared Exchange Contracts affected by Corporate Events will be re-calculated within BCS in accordance with EDX Rules.

2F.14.2 Corporate Event processing after Option Exercise or Future/Forward Expiry

Corporate Events which arise that affect the delivery settlement of EDX Cleared Exchange Contracts after the exercise of options or future/forward expiries will be handled in accordance with the relevant ASP EDX and as detailed below:

2F.14.2.1 **Distributions**

Claims

Any claim or distribution in respect of an underlying EDX Cleared Exchange Contract should be carried out and settled in accordance with the relevant ASP EDX rules and procedures. All claims should be settled on their intended settlement date (ISD) and Clearing Members should ensure that all relevant settings allow the settlement of a distribution in the relevant ASP EDX.

Scrip Dividends

Where an issuing company announces a Scrip Dividend on any security underlying an EDX Cleared Exchange Contract, Buying Members are not permitted to pass any election to the Clearing House. Such members will receive the Default Option as directed by the relevant ASP EDX.

Fractional Entitlements

When an Issuer determines that an amount known as a “fractional entitlement” is payable to a shareholder entitled to the same, the Clearing House will accept a claim from a buying Affected Member which must input a cash only transaction in the relevant ASP EDX against the Clearing House for the total amount due. If the Clearing House agrees the claim it will itself input a cash only transaction against the selling Affected Member, which must match the Clearing Houses cash only transaction within twenty-four hours of the input of such transaction by the Clearing House. Following settlement of the selling Affected Member’s cash only transaction, the Clearing House will match the cash only transaction of the buying Affected Member and that transaction will settle. If the selling Affected Member fails to match the Clearing House cash only transaction within the time period set out above, then the Clearing House will debit the total amount of the claim via the selling Affected Member’s PPS account. Where a buying Affected 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 and the Clearing House will be under no obligation whatsoever to make any payment to the buying Affected Member with regard to the fractional entitlement associated therewith.

Lapsed Rights Proceeds

Where a Buying Affected Member issues a rights claim 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 to make any payment to the buying Affected Member with regard to the lapsed rights premium associated therewith.

Elective Corporate Events

The Clearing House will not accept any instructions from Buying Members in relation to any corporate event (with the exception of SIS where the procedure is detailed below). The Clearing House will allow the Corporate Event to default to the ‘default option’ as directed by the relevant ASP EDX.

Where a Selling Member does not make an election (where applicable) in accordance with the default option as directed by the relevant ASP EDX that Member will be responsible for ensuring that the correct entitlement is delivered to

the Clearing House. Any costs, expenses and other losses suffered by the Clearing House in connection with that failure or omission may be charged by the Clearing House to the Selling Member.

Buyer Elections: SIS

In the case of stock held in SIS, Buying Members may make elections through the MPA or SIS only and must do so in accordance with SIS procedures. The elections must be notified to the MPA or SIS before the election deadline.

In the event that a Selling Member fails or omits to deliver securities to the Clearing House by the delivery deadline in SIS, the Clearing House may be unable to deliver 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 that he may receive his entitlement. This may result in the MPA buying in against or failing to provide the buyer with their entitlement. In such circumstances the Clearing House will exceptionally allow the Buying Member to submit details of his original election or costs of the buying in directly to the Clearing House providing that such details are received by the Clearing House no later than two hours after the delivery deadline in SIS. Such notification may only be made by email to Lchoperations-equities@lchclearnet.com. Any notification by any other method will not constitute compliance with these Procedures and may be disregarded by the Clearing House. In the event that the Buying Member does not inform the Clearing House in accordance with these requirements by the required time, the Buying Member will lose any rights to claim.

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

The Clearing House will validate the buyer elections made in accordance with these Procedures and allocate any accepted elections to appropriate Selling Members. The Clearing House will do what it reasonably can to carry out this process by 17:30 hours (London time) on the EDX UK Business Day after the delivery deadline. Where there are a large number of allocations to be made, the process may take longer.

The Clearing House will create settlement instructions in SIS for the relevant entitlement on a T+3 (Trade day plus three) basis. Such settlement instructions will usually be entered by the Clearing House by 17:30 hours London time on the day which is two EDX UK Business Days after the delivery deadline, but this process may take longer where there are a large number of instructions to be created.

Where a Selling Member 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, and the Clearing Member may charge that Selling Member an administration fee of £100, which sum may be collected by the Clearing House through that Member's relevant PPS account.

2F.14.2.2 Transformations

Transformation Skip

Clearing Members are not permitted to skip a transformation with regard to any EDX Cleared Exchange Contract. In the event that a Clearing Member does skip a transformation that Clearing Member will be responsible for reimbursing the

Clearing House for any costs, expenses and other losses suffered by the Clearing House as a result of skipping such transformation.

Last Time for Delivery

Where a corporate event occurs Selling Members may only deliver the Original Securities providing the delivery occurs prior to the Last Time for Delivery. (The Last Time for Delivery is the close of delivery versus payment equity settlement in the relevant ASP EDX, one relevant ASP EDX Business Day prior to the call payment or registration date.)

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 transferee) 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.

Non-Transformation

Where the relevant ASP EDX does not perform a transformation, the Clearing House will manually enter the particulars of the EDX Cleared Exchange Contract, which will include particulars of the New Securities. Clearing Members must immediately input matching instructions in order to match with those new particulars.

2F.15 **POSITION TRANSFERS**

Clearing Members wishing to effect a position transfer to another Clearing Member approved to participate in the Clearing House EDX Services should submit a written request to LCH Risk Operations.

Provided they relate to valid positions and adequate cover is available from both Clearing Members, the transfer will normally be authorised. Should insufficient cover be available, the transfer may not be authorised until additional cover is provided.

2F.16 **SUSPENSION OF THE SERVICE**

Members should be aware that the Clearing House may suspend the Clearing EDX Services in the circumstances set out in Regulation 79.



APPENDIX 2F.A

EDX® 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 your CREST Participant Id, Euroclear Settlement Account Number or SIS BP ID

Please provide the following details for each transaction:

Trade Date	Stock Name	ISIN	Quantity	Consideration	ASP EDX Reference Number

(It is important to note that the earliest that buying in can be instigated is 09:00 UK time on ISD+3. 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.

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"/>
Name	Title	Date

FOA: LCH.Clearnet Business Operations Department
Telephone Number: +44 20 7426 7688
Facsimile Number: +44 20 7426 7152
Email: lchoperations-equities@lchclearnet.com