

Oslo Clearing ASA

Self Assessment ESCB-CESR Recommendation

Equity and Derivatives Clearing

I. INTRODUCTION

Oslo Clearing ASA ("Oslo Clearing") is a central counterparty ("CCP") authorised as a Clearing House pursuant to Chapter 13 of the Securities Trading Act ("STA"). The company is currently authorised to operate as central counterparty for equity market instruments (hereinafter referred to as the equity segment) and financial derivatives, which includes standardised derivatives, tailor made derivatives (OTC) and security lending products (hereinafter referred to as the derivatives segment).

Oslo Clearing is a public limited company, owned by Oslo Børs VPS Holding ASA ("OBVPSH") and subject to supervision by the Financial Supervisory Authority of Norway ("Finanstilsynet").

Oslo Clearing was established in 1987 under the name NOS Clearing ASA, ("NOS Clearing"), which at the time was operating as a central counterparty for the Norwegian equity derivatives market only. NOS Clearing expanded its services to comprise energy and freight clearing. After the merger of NOS Clearing and Imarex ASA in 2006, the financial clearing activities were demerged and divested to Verdipapirsentralen ASA ("VPS"), as a wholly owned company under the name of VPS Clearing ASA ("VPS Clearing").

As a consequence of the merger between the holding companies of Oslo Børs ASA ("Oslo Børs") and VPS as of 27 November 2007, the combined entity, Oslo Børs VPS Holding ASA, assumed direct ownership of VPS Clearing, and the company was renamed Oslo Clearing.

Oslo Clearing has a clearing co-operation agreement with LCH.Clearnet Ltd. ("LCH").

II. SELF ASSESSMENT

In May 2009 CESR and ESCB issued a set of 15 recommendations for central counterparties. This document provides the self assessment of Oslo Clearing on the observation of each of these recommendations, with some exceptions.

As a main rule all of Oslo Clearing's services, i.e. both the equity and derivatives segments, have been assessed jointly. Accordingly, in the following, if not expressly referred to as an assessment of either the equity or the derivatives segment, the assessments cover the totality of Oslo Clearing's clearing business

Oslo Clearing is of the view that Recommendation 15 "*Regulation, Supervision and Oversight*" is within the competence of the regulatory authorities, further the questions related to *framework for cooperation and co-ordination between the relevant regulatory and oversight authorities within Recommendation 11 "Risks in links between CCPs"*. Accordingly, these items have intentionally not been assessed and covered in this document.

This document presents each recommendation in the same sequence as provided by ESCB-CESR. For each recommendation the applicable recommendation will be reiterated, as well as each key question (in italic). Oslo Clearing will answer the key questions in the same order, including each element of the key question which will also be reiterated (underlined text). Each recommendation is summarised by a short assessment that will determine the assignment category. The assignment will be presented (underlined text) after the summary.

1 - Legal Risk

CCPs, linked or interoperable CCPs should have a well-founded, transparent and enforceable legal framework for each aspect of their activities in all relevant jurisdictions.

Observing Recommendation 1

1. Are the laws and regulations governing the operation of a CCP and the rules, procedures, and contractual provisions for its participants, clearly stated, internally coherent, and readily accessible to participants and the public for all cleared products?

1.1 Laws and regulations governing the operations of a CCP

Reference

(a) Regulatory requirements – governing law

CCP activity in Norway is regulated by chapter 13 of STA, the Financial Supervisory Authority Act, and the regulations on the capital requirements for clearing houses. In addition, the clearing

STA Chapter 13

operations are also covered by other legislation such as for example the Pledge Act, the Securities Register Act, the Financial Collateral Act and the Enforcement Act.

CCP activity in Norway is subject to authorisation by the Ministry of Finance, as specified in the STA, chapter 13. Oslo Clearing has authorisation from the Ministry of Finance to operate as a clearing house for equity market instruments (dated 21 April 2010) and derivatives and securities lending (dated 29. August 2006).

Oslo Clearing is subject to supervision by Finanstilsynet.

STA section
15-1

(b) Rulebooks – governing law

Reference

Oslo Clearing is incorporated in Norway and is subject to Norwegian law.

Oslo Clearing's own rules consist of two rulebooks; The Equity Rulebook and the Derivatives Rulebook. The Equity Rulebook covers clearing of trades in Equity Market Instruments at Oslo Børs and Oslo Axess. The Derivatives Rulebook covers clearing of trades in derivatives (listed and OTC) and securities lending.

Oslo Clearing's
Rulebooks

www.osloclearing.no

The governing law of the Equity Rulebook and the Derivative Rulebook is Norway. The Rulebooks are available on the website of Oslo Clearing.

The Financial Collateral Agreement ("FCA"), which must be signed by Oslo Clearing's clearing members, and end clients if applicable, is also governed by Norwegian law. Proprietary and security interest aspects relating to securities collateral registered in VPS, guarantees issued by Norwegian banks and cash collateral held in Norwegian banks will be governed by Norwegian law. However, financial collateral agreements relating to securities collateral registered in Clearstream Banking S.A., Luxembourg ("Clearstream") and cash deposited in an approved collateral bank not being a Norwegian credit institution, are governed by the law applied by the relevant collateral institution.

FCA

Oslo Clearing has arranged the clearing activities in a manner so as to take full advantage of all legal protection available, and to reduce the potential for conflict of laws issues to a minimum. For additional information on conflict of laws issues, please refer to Recommendation 1, section 4 below.

(c) Laws and regulations relevant for settlement

Reference

The providers of settlement systems are not required to have an authorisation from the competent authority. The settlement systems may be authorised by Finanstilsynet in accordance with the Payments Systems Act (implementing directive 98/26/EEC on settlement finality in payment in securities and payment settlement system). The act specifies inter alia rules on mandatory applicable

law and provides that settlement agreements are legally binding upon a participant even in the event of insolvency (finality).

Settlement of trades related to Clearing Transactions in Equity Market Instruments cleared by Oslo Clearing will be made through the Norwegian central securities settlement system ("VPO") which is operated by VPS.

Settlement – Equity Market Instruments

VPO is approved by Finanstilsynet in accordance with the Payments Systems Act. Norges Bank's settlement system for cash settlement ("NBO") and the VPS rules regulating VPO are of importance for the settlement activities. These rules are publicly available on the website of VPS.

VPO Rulebook

Settlement of trades related to clearing transaction in derivatives and stock lending cleared by Oslo Clearing are made through the settlement system of Oslo Clearing: Oslo C NOK. The system is approved and notified to Finanstilsynet in accordance with the Payments System Act.

Settlement - Derivatives Payment System Act Chapter 4

The applicable rules regarding settlement for clearing of Equity Market Instruments and settlement for clearing of derivatives by Oslo Clearing are set out in Chapter 7 of the respective rulebooks.

The Derivatives Rulebook chapter 7
The Equities Rulebook chapter 7

(d) Laws and regulations relevant for the margin collateral system

Reference

The margin collateral system of Oslo Clearing is designed to be a robust system in the event of default and insolvency of one or several clearing members and end clients (in respect of derivatives clearing. Under Norwegian law, the following legislation is relevant in this regard:

The Pledge Act provides legal basis for valid, enforceable and perfectible rights of pledge in monetary claims including bank accounts in Norwegian banks.

Pledge Act

The Securities Register Act provides legal basis for valid, enforceable and perfectible rights of pledge in securities registered with a securities register (central securities depository) authorised in accordance with the Act. VPS is the only authorised securities' register in Norway. The pledge is perfected once it has been registered with VPS.

Securities Registers Act

The Enforcement Act provides legal basis to foreclose collateral in the form of securities listed on a regulated market, in the event of default without any affirmative court decision. Oslo Clearing may instruct an independent broker to carry out a forced sale.

Enforcement Act

The Financial Collateral Act, implementing the EU Financial Collateral Directive, establishes legal basis for close-out netting where all positions between the clearing member and the CCP are

Financial Collateral Act section 5 – 7

netted (set off) in connection with a default situation. Close-out netting is valid, enforceable and perfectible when the applicable agreement is signed by the clearing member, provided that the agreement is entered into prior to the commencement of the bankruptcy proceedings. The Act further provides legal basis for arrangements on the foreclosure of collateral.

In the equity segment the clearing members shall provide collateral to comply with the margin requirement and the clearing fund contribution requirement.

In the derivative segment, the clearing members and the end clients, or if applicable, the GCM shall provide collateral to comply with the margin requirement. The clearing members are jointly and severally liable with their end clients for meeting the margin requirement. Co-operating clearing houses shall also provide collateral for their margin requirement.

Upon material default Oslo Clearing may, as set out in the rulebooks and the FCA, declare all claims against the clearing member and/or the end client to be immediately due and payable (acceleration), carry out close out, balancing trades, hedging transactions, restatements, settle bilateral loans and immediately foreclose on any and all collateral provided by the defaulter to discharge Oslo Clearing's claims. Oslo Clearing's rights in connection with a member or end client default will be immediately enforceable, as agreed by the parties in the FCA and the Rulebooks, without affirmative decision by the courts.

Equity Rulebook
section 9.2 and 9.4
Derivative Rulebook
Chapter 9 and 10

Financial Collateral
Act section 5, 6 and
7. Enforcement act
section 1-3

The Financial Collateral Act (having implemented the Financial Collateral Directive) specifies that for financial collateral in form of securities all issues regarding the legal characteristics etc., of the collateral shall be regulated by the laws of the country wherein the account in question is held. For information on conflict of laws issues please refer to section Recommendation 1, section 4 below.

Financial Collateral
Act section 9

Reference

(e) Other remarks to the legal system

It is of Oslo Clearing's opinion that the Norwegian legal system is a well defined system of property, contract, securities, bankruptcy and tax laws. Oslo Clearing's deems that the Norwegian legal system has efficient procedures in place in order to ensure that cases will go through and be dealt with in the courts in a timely manner. The judicial system provides final judgments. We also deem that the system provides adequate mechanisms for enforcement of judgments.

(f) The Rulebooks, procedures and contractual provisions for its participants

Prior to the commencement of clearing activities a clearing member

must sign the relevant membership agreement through which it adheres to the applicable rulebook.

In the equity segment a member can choose to be a General Clearing Member ("GCM"), clearing own trades and/or trades of other trading members of the market place (so-called non clearing members not having a direct contractual relationship with Oslo Clearing) or a Direct Clearing Member ("DCM"), clearing own trades only.

Equity Rulebook
chapter 2

In the derivatives segment, a member can choose to be a general clearing member, so-called GCM, clearing own trades and/or trades of end clients. The end clients must have segregated position accounts, however collateral may be posted on one or more omnibus accounts.

Derivatives
Rulebook chapter 2

Alternatively, a member can be a clearing representative, representing end clients towards Oslo Clearing. Under this model, end clients must adhere to the Derivatives Rulebook through the End Client Agreement, which they must sign prior to the commencement of trading for clearing through Oslo Clearing. Accordingly, end clients have a direct contractual relationship with Oslo Clearing. Clearing Representatives are jointly liable for the obligations of their end clients. This model provides Oslo Clearing with the rights to port out end clients to another clearing representative in a situation where their initial clearing representative is declared in material default.

Finally a member in the derivatives segment can choose to be a direct clearing member, being only able to clear own trades.

The membership requirements in the equity segment are specified in Chapter 2 of the Equity Rulebook. The membership requirements in the derivatives segment are set out in Chapter 2 of the Derivatives Rulebook. Oslo Clearing has discretionary power to grant clearing membership to an applicant entity. However, Oslo Clearing may not discriminate between national applicants and applicants domiciling in another EEA member state (STA section 13-3 (4)).

Each clearing member in the equity segment is required to sign a FCA pursuant to the Financial Collateral Act, or to provide a bank guarantee, both for collateral placed to meet the margining requirements, and, for collateral placed to meet the clearing fund contribution requirements.

Each clearing member, and each end client if applicable, in the derivatives segment is required to enter into a FCA pursuant to the Pledges Act where the account holder is a physical person, and for other account holders pursuant to the Financial Collateral Act.

1.2 Oslo Clearing's evaluation of prevailing legislation and Rulebook

Reference

Our overall opinion is that the legislation is clearly stated and is readily accessible to the participants and the public. The legislation is publicly available via the websites of Finanstilsynet, Lovdata, but also other publicly available sources.

The terms and conditions for clearing as set out in the Rulebooks are clearly stated. The rules are internally coherent and are readily accessible to the participants and the public via the website of Oslo Clearing.

2. *Does the legal framework demonstrate a high degree of assurance that there is a clear and effective legal basis for:*
 - a. The CCP to act as counterparty including the legal basis for novation, open offer or any other legal concept in relation to all cleared products.

Equity segment:

The legal basis for the CCP to act as counterparty including the legal basis for open offer is clearly set out in the Equity Rulebook. **Reference**

Trades in equity market instruments made on an eligible marketplace will automatically be subject to clearing through a modified version of open offer.

Oslo Clearing will as set out in the Equity Rulebook section 1.1 provide "*a clearing facility whereby Oslo Clearing enters into Trades as the central counterparty being liable to each Clearing Member for settlement of the Trade.*"

Equity
Rulebook
section 1.1.
Equity
Rulebook
section 6.1, 1
and 2
paragraph

According to the Equity Rulebook a trade on the relevant marketplace in an equity market instrument made by a clearing member or a Non-Clearing Member ("NCM"), having entered into agreement with a General Clearing Member ("GCM"), will automatically be transferred to the clearing system of Oslo Clearing and be subject to clearing subject to that the validation criteria specified in the Equities Rulebook section 6.1, second paragraph are met.

Derivatives segment:

The legal basis for the CCP to act as counterparty including the basis for open offer/novation is clearly set out in the Derivatives Rulebook, and equivalent to the equity segment, a modified version of "open offer" is applied for contracts in exchange traded derivatives. Trades registered on the exchange are immediately registered in Oslo Clearing's clearing system, whereby Oslo Clearing automatically enters as new counterparty to the seller and the buyer respectively.

Derivatives
Rulebook
section 6.2

The bilateral clearing services for tailor made derivatives (OTC) and the guarantee model for bilateral loans are both based on a "novation" model where acceptance by and registration at Oslo Clearing result in Oslo Clearing entering in as a new contractual party to the original parties to

Derivatives
Rulebook
section 6.3 and

the transaction.

Appendix 3

Rules regarding re-registration are described in the Derivative Rulebook Section 6.5 and Appendix 4 "Transfers of clearing transactions".

Derivatives Rulebook section 6.5 and Appendix 4

Upon automatic borrowing and lending of securities in connection with the Norwegian central securities settlement system ("VPO"), clearing takes place through an "open offer" where Oslo Clearing automatically enters as contractual party when contracts in the VPS system for generation of borrowing and lending are made.

Derivatives Rulebook 6.1.1, cf. Appendix 2.4

b. The timing of assumption of liability as CCP

Equity segment:

Reference

The timing for assumption of liability is clearly set out in the Equity Rulebook:

Equity Rulebook section 6.1, 4 paragraph

"If a Trade is accepted by the validation process, Oslo Clearing shall register the Trade on the Trading Account of the Clearing Members involved, and register a corresponding Gross Clearing Transaction on the Clearing Accounts of the Clearing Members involved. Upon such registrations Oslo Clearing enters as a legal counterparty to the Clearing Members who are the buyer and the seller respectively."

Thus upon registration on the clearing member's trading account, Oslo Clearing will enter into an agreement with the clearing member in its capacity of being a direct clearing member (DCM) or a general clearing member (GCM).

Derivatives segment:

The timing of assumption of liability is clearly set out in the Derivatives Rulebook:

Derivatives Rulebook section 5.1.2

"Oslo Clearing enters into a transaction as Central Counterparty or Guarantor to the Clearing Member....when the Clearing Transaction is registered on the Clearing Member's Day Account or Market Maker Account. Oslo Clearing enters into a transaction as Central Counterparty or Guarantor to the End-client when the Clearing Transaction is registered on the End-client's End-client Account."

Accordingly there is a high degree of assurance with reference to Oslo Clearing's timing of assumption of liability as CCP in relation to its clearing services.

c. Netting arrangements, acceleration and termination of outstanding obligations

Reference

Equity segment:

The Equity Clearing Rules specifies two forms of netting:

- Contract netting (novation)
- Close-out netting (upon default)

The Equity Rulebook section 6.2 provides for contract netting (novation) for the clearing member. Oslo Clearing will, for each clearing account, aggregate and net all gross clearing transactions to a single net clearing transaction for all trades in each financial instrument (per ISIN) with the same settlement day. This process represents a final settlement of all gross clearing transactions between Oslo Clearing and the clearing member. Thereafter the parties' settlement obligations relate to the net clearing transactions resulted from this process.

Equity Rulebook section 6.2 and 9.2 cf. 9.4

The Equity Rulebook section 9.4 provides for acceleration and close-out netting in the event of a clearing member default.

Equity Rulebook section 9.4

The close-out netting implies that the non-settled net clearing transactions between Oslo Clearing and the clearing member are terminated by Oslo Clearing with a net close-out amount denominated in NOK that is to be paid by Oslo Clearing to the clearing member or by the clearing member to Oslo Clearing. The money claims generated by close-out trades become payable immediately.

Equity Rulebook section 9.4, 4 paragraph

If the defaulting clearing member has established one or several segregated accounts on behalf of one or several customers or non-clearing members, the segregated accounts will be subject to separate close-out. Oslo Clearing cannot offset claims due to the clearing member that relate to a segregated clearing account against Oslo Clearing's claim on the clearing member in respect of other clearing accounts.

Derivatives segment:

The Derivatives Rulebook include three netting arrangements:

- Contract netting (novation)
- Payment/settlement netting
- Close-out netting (upon default)

The Derivative Rulebook section 5.2 provides for contract netting (novation) for options and futures registered on the same clearing account: The registration on the individual clearing account is a net position registration following the netting by novation where bought contracts are netted against sold contract in the same series and vice versa. Forwards may not be subject to contract netting (for which balancing trades must be made).

Derivatives Rulebook Section 5.2

The Derivatives Rulebook sections 7.4, 7.9 and 7.10 provides for netting of cash-only settlements at the end client level or clearing representative level. Delivery settlements are netted on end client level.

Derivatives Rulebook Sections 7.4, 7.9 and 7.10

The Derivative Rulebook section 9.3 provides for close-out termination in the event of an end-client default, while the Derivatives Rulebook section 10.3 provides for close-out termination in the event of a clearing member default.

Derivatives
Rulebook
Section 9.3 and
10.3

The close-out termination implies that Oslo Clearing or the clearing representative undertakes to carry out close-out trades or balancing trades respectively on the clearing members' or the end clients' account(s). The close-out trades results in contract netting where the new contract is netted against an open position (resulting in a zero credit balance). The money claims generated by close-out trades and balancing trades become payable immediately, and the negative and positive amounts for Oslo Clearing are netted/offset as provided for in the relevant sections.

Generally about close out netting:

The close-out termination is a pre-agreed close-out netting arrangement specified in the rulebooks, and also established by individual agreements between Oslo Clearing and each end client and clearing member (i.e. the FCAs). The arrangement is also structured as security interests for Oslo Clearing in the relevant claims and deliverables based on the Pledge Act, and the Financial Collateral Act with respect to clearing members/end-clients not being physical persons. The Financial Collateral Act specifies that financial obligations comprised by a financial collateral agreement may be closed out, without regard to the provisions otherwise applicable upon insolvency (Creditors Security Act section 7-3, 8-1 and the Debt Instrument Act section 26). The close-out netting agreement and securities interest established is intended to secure termination of the portfolio of contracts against payment of net cash value. The netting arrangements are enforceable against a CCP's failed participant in bankruptcy.

Financial
Collateral Act
section 5-7

- d. The CCP's interest in collateral (including margin) that a participant pledges to the CCP and prevents the defeat of such interest by the participant or a third party.

Oslo Clearing's interest in collateral is secured primarily through pledge. The pledges are made and perfected with legal basis in the Pledge Act, the Financial Collateral Act by means of the FCA entered into between Oslo Clearing and the clearing member (and the individual end client where applicable), and/or through bank guarantees.

Reference
Pledge Act,
Financial
Collateral Act,
Equity Rulebook
section 9,
Derivative
Rulebook
section 8.1

According to the rulebooks, clearing members shall provide collateral to Oslo Clearing either by pledging eligible collateral or by arranging for the issue of a bank guarantee.

Equity Rulebook
section 8.3,
Appendix 3
Derivatives
Rules 8.3.1

With basis in provisions in the Financial Collateral Act, and in accordance with the Rulebooks and the FCA, enforcement of collateral may take place without affirmative decision by the courts.

Financial
Collateral Act
section 7, FCA,
Enforcement
Act section 1-3

Valid and perfected pledge of collateral prevents effectively the defeat

of such interest by the participant or a third party. The pledging arrangements applied by Oslo Clearing ensure high assurance that the pledges are validly created and perfected.

e. Default procedures

Upon an event of Default, the rulebooks provide that Oslo Clearing may invoke a set of measures. These measures are inter alia:

- request for additional collateral
- suspension of the clearing member
- carry out buy-in transactions
- impose penalty fees

Reference

Equity Rulebook section 9.2, cf section 9.1

Equity Rulebook section 9.2, 11.2, Appendix 5 and 7

Upon material default Oslo Clearing may:

- declare all claims against the clearing member immediately due and payable
- foreclose on any and all collateral provided by the defaulting clearing member to discharge claims against the clearing member
- carry out a close-out
- terminate the Clearing Membership Agreement with the clearing member
- collect in the Clearing Fund Contribution of the clearing member as provided for in Appendix 3 of the Equity Rulebook

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Derivatives Rulebook 10.2

Equity Rulebook section 9.2, cf 9.4, the FCA

As listed above and further described under section 2. (c) above, Oslo Clearing may upon material default at any time and with full discretion, carry out close-out termination and arranging such other recovery of collateral and offsetting as provided for in the rulebooks. Through the FCA (or a bank guarantee if applicable) Oslo Clearing is entitled to foreclose all collateral specified therein, to cover the account holder's financial obligations.

Equity Rulebook section 11 Equity Rulebook 9.2, 8.4 and, Appendix 3.

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Derivatives Rulebook 10.2

According to the Equity Rulebook, a defaulting clearing member's clearing fund contribution may also be applied to cover losses incurred by Oslo Clearing as a consequence of a default, subject to Oslo Clearing first seeking to cover such losses from the collateral provided by the clearing member for its margin requirement.

It is stipulated in the Equity Rulebook that the Clearing Fund contribution from the defaulting member may be applied also if the remaining loss is attributable to the derivatives segment, but only if the defaulter is clearing in both the equities and derivatives segment.

Insolvency law supports the isolation of risks and the retaining and applying of collateral notwithstanding the default or a potential bankruptcy proceeding.

f. Finality of transfers of funds and financial instruments

Reference

Equity segment:

Settlement of equity clearing transactions is done in VPO, which is a settlement system approved by the Finanstilsynet in accordance with the Payment Systems Act (having implemented the Settlement Finality Directive 98/26/EC), cf. also section 2. (c) above.

Payment
Systems
Chapter 4 Act

Settlement finality takes place in accordance with the VPO and Norges Bank rules.

VPO Rules

Upon finality the settlement transactions may not be stayed, avoided or reversed, whereby the cash settlement and the securities settlement will be made respectively in Norges Bank and VPS based on the applicable settlement transaction.

Derivatives segment:

Cash settlements (premium, fee and daily cash settlement for future contracts) in NOK are made using the settlement system of Oslo Clearing: Oslo C NOK, which has been approved by Finanstilsynet in accordance with the Payment Systems Act, cf. section 2. (c) above. Oslo C NOK makes use of the cash settlement system of Norges Bank (NBO), implying that payments are effectuated using funds in place at the Central Bank. To ensure the performance of its settlements in Oslo C NOK, the clearing member shall furnish and maintain a guarantee issued by a credit institution with a minimum credit rating of A (S&P). Final settlement is made when Norges Bank has carried out the settlement, normally around 09:30 CET.

Settlement of underlying instruments upon expiry of a derivatives contract is made directly between the relevant clearing members (on own behalf or on behalf of end client) in VPO.

g. Other significant aspects of the CCP's operations, risk management procedures and related rules vis-à-vis all participants including – if applicable – assets provided by non clearing participants

Reference

The FCA contains provisions ensuring that Oslo Clearing may offset claims due to the clearing member connected with a close out in relation to clearing of derivatives or equity market instruments against any claims that Oslo Clearing may have against the clearing member.

FCA

There are no other significant aspects of Oslo Clearing's operations and risk management procedures, which requires specific mention from a legal perspective

3. *Are the rules, procedures, and contracts of a CCP enforceable when a CCP participant, a linked CCP or an interoperable CCP or a participant in a linked or interoperable CCP defaults or becomes insolvent? Is there a high degree of assurance that actions taken under such rules and procedures may not later be stayed, avoided or reversed.*

Are the rules, procedures, and contracts of a CCP enforceable when a CCP participant, defaults or becomes insolvent?

The rules, procedures and contracts of Oslo Clearing are enforceable if a clearing member or an end client defaults or becomes insolvent. This also applies with respect to the clearing co-operation with LCH on derivatives.

For additional information please refer to Recommendation 1, section 2 (e), and Recommendation 11.

Is there a high degree of assurance that actions taken under such rules and procedures may not later be stayed, avoided or reversed?

As set out above, cf. Recommendation 1, section 2 (e). The default procedures ensure rapid deployment of collateral upon a clearing members default/insolvency, including giving Oslo Clearing power to liquidate collateral. The same applies relative to the co-operating CCP. Actions taken in accordance with the Rulebooks may not later be stayed, avoided or reversed.

4. *Is there a significant level of cross-border participation in the CCP? Has the CCP determined whether there are other jurisdictions relevant for determining the adequacy of the legal framework? Has the legal framework been evaluated for the other relevant jurisdictions? Do laws and rules support the design of any cross-border arrangement and provide adequate protection to both CCPs in the operation of the arrangement? Are there conflicts of law issues and, if so, have they been addressed? Have cross-border collateral arrangements been evaluated? Do linked or interoperable CCPs identify, disclose and address any additional legal risks?*

Reference

The CCP activities of Oslo Clearing as well as the contracts arising out of Oslo Clearing's assumption of liability in relation to trades in equity market instruments and derivatives are subject to Norwegian law, cf section 1.1 (a) above.

Is there a significant level of cross-border participation in the CCP?

The clearing members of Oslo Clearing are mainly incorporated in Norway, but also in other jurisdictions, such as Sweden, Denmark, the Netherlands and the United Kingdom. Please refer to the website of Oslo Clearing for an overview of the clearing members. The level of cross-border participation in the equity segment is relatively high, while the participation in the derivatives segment is more concentrated to Norwegian entities. End clients are, with very few exceptions, Norwegian legal and private persons.

Clearing
Membership
Agreement /
End Client
Agreement

Clearing Rules
section 12.4

Collateral institutions are predominantly incorporated in Norway, however Oslo Clearing has also appointed institutions incorporated in Sweden, Denmark, Luxembourg and the United Kingdom (UK), see below.

Has the CCP determined whether there are other jurisdictions relevant for determining the adequacy of the legal framework? Has the legal framework been evaluated for the other relevant jurisdictions?

As set out above as a main rule the CCP activities of Oslo Clearing are governed by Norwegian law, cf. sections a-c above.

Legislation in other jurisdictions may be relevant for Oslo Clearing due to participation and relations to entities incorporated outside Norway, cf inter alia above. In order to prevent conflict of law issues from arising, Oslo Clearing may require all applicants to furnish legal opinions. Non-EEA applicants must always submit legal opinions before membership is granted in order to assess whether there are any legal issues arising due to the potential conflict of law.

Equity
Rulebook
Section
2.3 (d)

Oslo Clearing has performed legal assessments to ensure that Oslo Clearing's interests upon conflict of laws situations are addressed.

Derivatives
Rulebook
Section
2.1.1.4

Do laws and rules support the design of any cross-border arrangement and provide adequate protection to both CCPs in the operation of the arrangement?

Cross-border arrangements offers adequate protection to Oslo Clearing and the co-operating CCP, please refer to Recommendation 11 for an assessment of the clearing co-operation agreement with LCH.

Are there conflicts of law issues and, if so, have they been addressed?

Conflict of laws issues between the two co-operating CCPs (Oslo Clearing and LCH) are mitigated through the clearing co-operation agreement between the two parties, including the so-called "Main Market" principle, please refer to Recommendation 11 for further details.

Have cross-border collateral arrangements been evaluated?

The Financial Collateral Act specifies that for financial collateral in form of securities all issues regarding the legal characteristics etc of the collateral shall be regulated by the laws of the country where the account in question is held.

Cash collateral is predominantly pledged through accounts held by clearing members or end clients in credit institutions incorporated in Norway, or subsidiaries of credit institutions incorporated in Sweden and Denmark. Clearing members using credit institutions incorporated in the UK may not pledge their accounts to Oslo Clearing due to pledge being deemed less effective. These members must pay margin requirements et. al. directly to Oslo Clearing.

Financial
Collateral Act

Eligible collateral in the form of financial instruments may be held either on a VPS Account, an account with Clearstream, or with SEB, whereby Norwegian, Luxembourg and Swedish law respectively will apply.

Oslo Clearing has performed legal assessments to ensure that Oslo Clearing's interests upon conflict of laws situations are addressed, including with regard to that the interests in collateral and the deployment of such collateral, are adequately protected.

Do linked or interoperable CCPs identify, disclose and address any additional legal risks?

LCH discloses information about its legal risks through its CPSS-IOSCO Self Assessment.

Do linked or interoperable CCPs identify, disclose and address any additional legal risks?

LCH discloses information about its legal risks through its CPSS-IOSCO Self Assessment.

5. *Does national law allow for the CCP to be designated according to the Settlement Finality Directive? If so, have the relevant authorities actually designated the CCP?*

Please refer to the answer in Recommendation 1, section 2. (f), above.

6. *How many jurisdictions govern the proprietary and the contractual aspects of a CCP? Are the applicable laws identical to the law governing the CCP?*

Reference

As a general rule the proprietary and contractual aspect of Oslo Clearing is governed by Norwegian law, cf. (b), (c) and (d) above. Norwegian law is the governing law of Oslo Clearing.

There are a few exceptions to this main rule: The clearing co-operation agreement with LCH is governed by English law. However, as further described under Recommendation 11, below, the so-called Main Market principle applied by Oslo Clearing and LCH ensures that the risk relating to conflict of law issues are minimised.

In addition financial collateral agreements relating to securities collateral registered in Clearstream and SEB are governed by the law applied by the relevant collateral institution. Oslo Clearing has arranged the clearing activities in a manner so as to take full advantage of all legal protection available, and to reduce the potential for conflict of laws issues to a minimum, see also section 4 above.

It is also mentioned that Norway is part of the EEA through an agreement between the European Free Trade Association ("EFTA") members (including Norway) and the European Union. As part of the EEA agreement the member states shall adopt relevant EU legislation. Norway has adopted all relevant legislation relevant for clearing services hereunder the directive 98/26/EC on settlement finality, the directive 47/2002/EC on financial collateral arrangements and the directive 39/2004/EC on Markets in Financial Instrument" ("MiFID"). Thus it is our opinion that the relevant public authorities support the harmonisation of rules so as to minimise any discrepancies stemming from different national rules and frameworks.

EEA-act (in force as of 1. January 1994)

Finanstilsynet supervises compliance with the relevant legislation.

STA 15-1

Assignment of assessment:

The laws and regulations governing the operation of Oslo Clearing and Oslo Clearing's Rulebook, procedures, and contractual provisions for its participants, are clearly stated, internally coherent, and readily accessible to participants and the public (Q1).

The legal framework demonstrates a high degree of assurance that there is a clear and effective legal basis for all of Oslo Clearing's operations and risk management procedures (Q2).

The rules, procedures, and contracts of the CCP are enforceable even in the case of the insolvency of a CCP participant and there is a high degree of assurance that actions taken under such rules and procedures may not later be stayed, avoided or reversed. This also applies for co-operation agreements with other CCPs, and Oslo Clearing has a co-operation agreement with LCH on derivatives(Q3).

Oslo Clearing has identified the relevant jurisdictions in which it has cross-border arrangements and has taken steps to address conflict of laws issues (Q4).

Settlements are done in VPO (financial instruments) and Oslo C NOK (cash) which have been designated according to the Settlement Finality Directive (Q5).

The general rule is that the proprietary and contractual aspect of Oslo Clearing is governed by Norwegian law, which is the governing law of Oslo Clearing (Q6).

The recommendation 1 on legal risk is observed

2 - Participation Requirements

A CCP should require participants to have sufficient financial resources and robust operational capacity to meet obligations arising from participation in the CCP. A CCP should have procedures in place to monitor that participation requirements are met on an ongoing basis. A CCP's participation requirements should be objective, publicly disclosed, and permit fair and open access. Rules and requirements that restrict access should be aimed at controlling risk.

Observing Recommendation 2

1. Does the CCP establish requirements for participants' financial resources and creditworthiness? If so, how? What factors are considered (for example, size, clearing for indirect participants, products cleared?) Does the CCP assess participants' operational capability? If so, how? What factors are considered (for example, sufficient level of relevant expertise, necessary legal powers and business practices, arrangements to meet payment obligations, risk management policies, staffing, internal audit of risk controls and IT systems)? Does a CCP establish requirements for clearing members to participate in default management processes of OTC derivatives to ensure timely resolution of a large and complex portfolio?

Does the CCP establish requirements for participants' financial resources and creditworthiness? If so, how?

Oslo Clearing has established requirements for clearing members. The following entities, in accordance with the Clearing Rules, can become clearing members:

- a) Investment firms that are authorised to provide investment services referred to in MiFID Annex 1 Section A (2) (execution of orders on behalf of clients) and/or Section A (3) (dealing on own account).
- b) Credit institutions that are authorised to provide investment services referred to in MiFID Annex 1 Section A (2) (execution of orders on behalf of clients) and/or Section A (3) (dealing on own account).
- c) Co-operating Clearinghouses.
- d) Other entities, including entities similar to those described above that have their head office in states other than the EEA, subject to specific approval by Oslo Clearing.

To become a member, Oslo Clearing requires further require that applicants have a minimum size of regulatory capital. For the equity segment, the following minima apply:

- NOK 40 mill. to become a DCM, and;
- NOK 500 mill. to become a GCM.

For the derivatives segment, there is no formal minimum requirement. The above minima criteria may have relevance, however, a lower capital requirement may be fully acceptable when the clearing member relies on a segregated model for end clients. Oslo Clearing deems the inherent risk related to the clearing member to be significantly lower in a segregated clearing model.

Oslo Clearing also reserves the right to impose other financial requirements.

The membership application must be accompanied by sufficient documentation of legal and regulatory requirements, but also sufficient information about financial and operational capacity.

What factors are considered (for example, size, clearing for indirect participants, products cleared?)

Factors considered for clearing membership are based upon absolute and relative measures of capital, hereunder regulatory capital. Oslo Clearing carries out an evaluation of the financial soundness and the operational capacity of the applicant and hence reserves the right to require further information and documentation.

Oslo Clearing limits its counterparty risk, by monitoring member exposures against their creditworthiness.

What factors are considered (for example, sufficient level of relevant expertise, necessary legal powers and business practices, arrangements to meet payment obligations, risk management policies, staffing, internal audit of risk controls and IT systems)?

The applicant is required to organise its business activities in such a way that the entity has sound and satisfactory arrangements in place for its operational procedures, staffing, expertise and technical equipment.

Oslo Clearing reserves the right to require documentation about the operational capacity of the applicant.

Does a CCP establish requirements for clearing members to participate in default management processes of OTC derivatives to ensure timely resolution of a large and complex portfolio?

Oslo Clearing does not require that members participate directly in the default management process.

2. Does the CCP monitor that participation requirements are met on an ongoing basis? If so, how? Through access to regulatory reports or directly? Are reports sufficiently timely to be useful for monitoring purposes? Under what conditions can the CCP suspend and terminate participants' membership? What arrangements does the CCP have in place to facilitate the suspension and orderly exit of participants that no longer meet the participation requirements?

Does the CCP monitor that participation requirements are met on an ongoing basis? If so, how? Through access to regulatory reports or directly? Are reports sufficiently timely to be useful for monitoring purposes?

To become a clearing member, the applicant must demonstrate that it meets the requirements set out in the Rulebooks. Oslo Clearing requires that the clearing members meet participants requirements on an ongoing basis, and requires that the members submit, by the end of the calendar month in which it regularly files such information to the competent authorities, a summarised statement of the size of its regulatory capital (both nominal amount and as a percentage of risk-weighted total assets) together with a statement of the composition of its regulatory capital.

Further, the clearing member is obliged to inform Oslo Clearing of any circumstance that creates a risk that it no longer will comply with the regulatory requirements or be able to meet the financial requirements. However, the collateralisation of the margin requirement will ensure that Oslo Clearing at all times covers the expected risk in the member's positions submitted for clearing.

Based on the regular flow of information, with the possibility to require additional information, Oslo Clearing is in a position not only to monitor that participation requirements are met, but also assess the inherent risk of any individual clearing member.

Under what conditions can the CCP suspend and terminate participants' membership?

Oslo Clearing can suspend a clearing member or terminate its membership if it is in breach of the provisions of the Rulebooks. Further details on the default procedures are provided in this document under Recommendation 6 - Default Procedures.

What arrangements does the CCP have in place to facilitate the suspension and orderly exit of participants that no longer meet the participation requirements?

The Rulebooks regulate the orderly exit of participants. The clearing member may terminate its clearing membership with two (2) weeks notice. Oslo Clearing may also terminate the clearing membership, however this will most likely occur in conjunction with a default situation.

3. Are participation requirements objective and do they permit fair and open access? Do they limit access on grounds other than risks as set out in EU law? In the event of refusal of access, does a CCP explain in writing the denial access? Are participation requirements, including arrangements for orderly exit of participants clearly stated, and publicly disclosed?

Are participation requirements objective and do they permit fair and open access?

The membership is open to all applicants that satisfy the minimum requirements set out in the Clearing Rules, and further requirements set by Oslo Clearing shall be justifiable and non-discriminatory.

Oslo Clearing will deny membership on risk grounds only.

In the event of refusal of access, does a CCP explain in writing the denial access?

Oslo Clearing will provide a written denial of access, addressing the elements conducive to such denial.

Are participation requirements, including arrangements for orderly exit of participants clearly stated, and publicly disclosed?

Participation requirements, including arrangements for an orderly exit of participants are clearly stated in the Clearing Rules, cf. section 2, 5 and 11 for the equity segment, and cf section 2 for the derivatives segment.

Assignment of assessment:

Oslo Clearing has established requirements for participation to ensure that participants have sufficient financial resources and robust operational capacity (Q1).

Oslo Clearing has procedures in place to monitor that participation requirements are met on an ongoing basis (Q2).

Participation requirements are objective, and permit fair and open access, and requirements that limit access on grounds other than risks or as set out in EU law are avoided; a denial of access is explained in writing. Participation requirements and procedures facilitating the orderly exit of participants are clearly stated and publicly disclosed (Q3).

The recommendation 2 on participation requirements is observed

3 - Measurement and Management of Credit Exposures

A CCP should measure its credit exposures to its participants at least once a day. Through margin requirements and other risk control mechanisms, a CCP should limit its exposures to potential losses from defaults by its participants so that the operations of the CCP would not be disrupted and non-defaulting participants would not be exposed to losses that they cannot anticipate or control.

Observing the Recommendation

1. How frequently does the CCP measure its exposures to its participants? Does the CCP have the capacity to measure exposures intra-day? How timely is the information on prices and positions that is used in these calculations?

Oslo Clearing measures the exposure to its participants using margin calculations and stress test values daily.

How frequently does the CCP measure its exposures to its participants? Does the CCP have the capacity to measure exposures intra-day?

Oslo Clearing measures its exposure on its participants during the Clearing Day. Margins for the equity segment are recalculated close to real time. Margins for derivatives segment are recalculated at regular intervals through the clearing day, however with the possibility to perform on demand recalculations per clearing account between these intervals.

A stress test value for each participant is calculated once time per Clearing Day, and stress test results for the equities and derivatives segments will be aggregated per clearing member per market scenario, cf. Recommendation 5 - Other Risk Controls for further description of the stress test model.

How timely is the information on prices and positions that is used in these calculations?

For both clearing segments, the margin that is recalculated intra-day is based on the continuous trade and price feed from the cleared market places. The value of collateral in the form of interest rate instruments or cash denominated in foreign currency is updated less frequently, however at least once per clearing day.

Equity clearing members will have access to the real time margin and collateral value through the Oslo Clearing web interface ("CLARA").

Derivative clearing members have access to the clearing application ("SECUR™"), which enable them to follow their proprietary positions, but also those of their end clients, real time.

2. How does the CCP limit its exposures to potential losses from defaults by its participants? Does the CCP use margin requirements and other risk control mechanisms in a way which ensures that closing out any participant's positions would not disrupt the operations of the CCP or expose non-defaulting participants to losses that they cannot anticipate or control?

How does the CCP limit its exposures to potential losses from defaults by its participants?

The membership requirements form an absolute barrier to undesired credit exposures and the ongoing monitoring on how these requirements are met, is in place to maintain high standards amongst the members admitted for clearing.

The main instrument available for Oslo Clearing to limit its exposures, however, is the daily collateralisation of the margin requirement. All exposures are continuously monitored throughout a Clearing Day, and extraordinary margin calls may be issued at any time.

Oslo Clearing has an automated surveillance mechanism in place to monitor price fluctuations, which also notifies other events that impacts the continuous pricing, such as the suspension of trade on the market place. Further, systems are in place to detect problems with the trade or price feed from the market place.

Applicable to the derivatives segment only: clearing members are jointly and severally liable towards Oslo Clearing for their end clients. Collateral and positions from members and end clients (unless the end clients relates to a member being a GCM) are pledged to Oslo Clearing (cf. Standard Terms and the End Client Agreement).

Procedures are in place to handle failed performance, such as the failed delivery of an equity instrument which first is remedied by a settlement discipline mechanism, but which may as a consequence result in a buy-in process.

Upon situations of material default, margin collateral is the first line of defence. Oslo Clearing requires from each clearing member in the equity segment to contribute to a Clearing Fund, and the defaulters contribution to the Clearing Fund will be applied before any other resource, cf section 5.2 of this Self Assessment. Participants are mutually responsible for losses caused by other clearing members up to their stipulated contribution to the Clearing Fund.

In addition, Oslo Clearing has plans to introduce a Clearing Fund covering derivatives clearing in order to comply with new regulatory requirements, i.e. the European Market Infrastructure Regulation ("EMIR").

Does the CCP use margin requirements and other risk control mechanisms in a way which ensures that closing out any participant's positions would not disrupt the operations of the CCP or expose non-defaulting participants to losses that they cannot anticipate or control?

In the event of a material default, the above mechanisms will be applied in order to ensure a minimum of disruption towards the non-defaulting members. Oslo Clearing will in accordance with the Rulebooks, initiate close-out of a clearing member being in material default, by making all claims and obligations towards this member immediately payable (acceleration), and closing out all open positions of the clearing member. To cover losses caused by the default Oslo Clearing will deploy collateral, and if applicable, the clearing member's contribution to the Clearing Fund.

In addition, for the equity segment, Oslo Clearing disposes of procedures, through VPO enabling the possibility to cancel or defer settlement transactions by the clearing members, to avoid disruption of the operations due to a failed delivery of equity instruments from one clearing member or mitigate the negative effects of such failed delivery.

VPO and the Clearing Rules will also allow for partial delivery and deferred settlement to non-defaulting members, and obligations to the non-defaulting members may as a last resort be settled through buy-in procedures, alternatively through cash compensation.

The failure of a member to pay cash to settle the Net Clearing Transactions with Oslo Clearing is deemed to be a material default. To avoid disruption of the delivery obligations towards the non-defaulting members, Oslo Clearing may advance payment using its own liquidity or draw on established liquidity facilities. Oslo

Clearing holds its main liquidity facility with commercial banks, but has also pledged securities for a liquidity facility at the Central Bank of Norway (Norges Bank).

For the derivatives segment, and subject to the clearing member having full segregation of its end-client, Oslo Clearing has an unconditional right to port out the end clients from the defaulting clearing member to another clearing member, but also to appoint this clearing member as the receiver of the end clients.

Assignment of assessment:

Oslo Clearing measures the potential exposures of participants at least once a day and the information on which the calculations are based is timely. Oslo Clearing has the capacity to recalculate the exposures on an intra-day basis. The risk management system has thresholds indicating breaches on pre-specified limits (Q1).

Oslo Clearing has in place margin requirements and other risk control mechanisms designed to limit its exposures to potential losses from defaults by its participants so that the operations would not be disrupted and non-defaulting participants would not be exposed to losses that they cannot anticipate or control (Q2).

The recommendation 3 on measurement and management of credit exposures is observed

4 - Margin Requirements

A CCP should to the greatest extent feasible impose margin requirements to limit its credit exposures to participants. These requirements should be sufficient to cover potential exposures that the CCP estimates to occur until the liquidation of the relevant positions. The models and parameters used in setting margin requirements should be risk-based and reviewed regularly.

Observing the Recommendation

1. Are margin requirements imposed where feasible? What is the intended coverage of margin requirements? Are they sufficient to cover at least 99 pct. of the price movements that the CCP estimates to occur in the interval between the last margin collection and the time the CCP estimates it will be able to liquidate the relevant positions? What are these price estimations based on? What is the time interval consistent with a reasonable assumption about how quickly a defaulting participant's positions could be closed out? How does the CCP validate the models and parameters used to determine the margin levels consistent with the intended coverage? How frequently does it review and validate the models?

Are margin requirements imposed where feasible? What is the intended coverage of margin requirements?

Margins requirements are imposed on all clearing members for all open positions. Margins are risk based, and shall cover the expected price movements for a given closing period within a confidence level of at least 99 pct. for the equity segment and 99,8 pct. for the derivatives segment.

Are [margins] sufficient to cover at least 99 pct. of the price movements that the CCP estimates to occur in the interval between the last margin collection and the time the CCP estimates it will be able to liquidate the relevant positions?

Collateralised margins shall be sufficient to cover at least 99 pct. of the price movements expected to occur for the relevant closing periods. The margin models are regularly back-tested in order to ensure that the desired level of coverage is achieved.

What are these price estimations based on?

Prices used by the model will be the actual prices observed in the market, however taking into account price spreads. Oslo Clearing will identify 'stale' or unrepresentative prices, and amend these prices.

Model parameters, are risk based and derived from the observed prices in the market. Where meaningful parameters cannot be determined, Oslo Clearing has procedures to override model parameters using conservative estimates.

What is the time interval consistent with a reasonable assumption about how quickly a defaulting participant's positions could be closed out?

The distribution of returns, the average daily trade volume and the trade frequency are considered in order to determine a reasonable closing period for net clearing transactions and collateral. Oslo Clearing will use a minimum closing period of 2 days, going up to a period of 10 days for illiquid assets.

How does the CCP validate the models and parameters used to determine the margin levels consistent with the intended coverage? How frequently does it review and validate the models?

Oslo Clearing has a regular process to reassess margin rates and other risk parameters, in order to be aligned with the current risk levels, but also any observed dependency between risk factors in the cleared markets. The regular reassessment of risk parameters is done to ensure that the margin model achieves its intended level of coverage.

Oslo Clearing performs a regular back-test of its margin model, and has a policy to review its risk models annually. Although the back-testing is a validation of the statistical significance of the margin model, which requires a long time series of economic data, and which applies to measuring the goodness of fit between the calculated margin and the portfolio return, it is also standard procedure to perform a review of the individual margin rates upon a breach.

2. Does the CCP have the policy, the authority and operational capacity to demand margin intra-day to maintain the desired coverage? Under what circumstances?

Oslo Clearing issues an ordinary Margin call every Clearing Day to each clearing member, that shall be settled by the clearing member no later than 11:00 CET.

Oslo Clearing has the necessary powers and the operational capacity to issue intra-day margin requirements. Margins are continuously recalculated during the Clearing Day. Oslo Clearing will issue an intra-day margin call if the level of risk for any clearing member becomes unacceptable at any time during the Clearing Day. Oslo

Clearing may issue a margin call in other circumstances when considered necessary in view of the prevailing market conditions or for any other imperative reasons.

3. What types of assets does the CCP accept as margin? What types are actually held? How frequently are the assets revalued? Are haircuts applied that adequately reflect the potential for declines in asset values between last revaluation and liquidation?

What types of assets does the CCP accept as margin?

Oslo Clearing accepts cash, guarantees from approved credit institutions, eligible interest rate instruments, and equity market instruments as collateral for margins. The clearing member will not be credited for collateral items issued by the clearing member itself, or by an issuer in the same group of companies as the clearing member. The same principle applies for cash collateral and guarantees, whereby a clearing member shall not hold cash collateral pledged or guarantees in its own name.

Collateral is mainly kept at the individual account level within the derivatives segment.

Collateral held by the Clearing Fund shall be kept separate from other collateral pledged to Oslo Clearing. Acceptable collateral for the Clearing Fund is the same as for margin collateral, however not including equity market instruments.

What types are actually held?

Cash, highly rated interest rate instruments and guarantees issued by credit institutions with strong credit ratings represent the majority of collateral posted to Oslo Clearing.

Equity market instruments are also used, but mainly in the derivatives segment.

Collateral pledged for the equity clearing cannot at this time be used simultaneously for the derivatives clearing and vice-versa.

How frequently are the assets revalued?

Assets such as cash, guarantees (those denominated in foreign currencies) and interest rate instruments will be revalued at least once per Clearing Day. Equity market instruments are included in the margin calculation, and are thus subject to continuous revaluation during the Clearing Day.

Are haircuts applied that adequately reflect the potential for declines in asset values between last revaluation and liquidation?

Margin rates will be used to determine the collateral value of the asset held as collateral, i.e. determining the haircut. Margin rates are risk based, and reviewed regularly. In setting the margin rate, the price volatility and the liquidity of the underlying instrument are captured, and necessary consideration is taken to the expected liquidation period of the assets.

Assignment of assessment:

Oslo Clearing issues margin requirements that are sufficient to cover at least 99 pct. of the price movements that Oslo Clearing estimates to occur in the interval between the last margin collection and the time Oslo Clearing estimates it will be able to liquidate the relevant positions. Oslo Clearing bases models and parameters used in determining margin requirements on the risk characteristics of the products cleared and that take into account the interval between margin collections. Oslo Clearing regularly validates coverage of the models and parameters used to determine margin requirements (Q1).

Oslo Clearing has the policy, the authority and operational capacity to make intraday margin calls (Q2).

Oslo Clearing accept several types of assets to meet margin requirements based on risk based haircuts, reflecting volatility and liquidity of the asset. This risk approach ensures that Oslo Clearing at all times has appropriate haircuts that reflect the potential for their value to decline (Q3).

The recommendation 4 on margin requirements is observed

5 - Other Risk Controls

A CCP should maintain sufficient available financial resources to cover potential losses that exceed the losses to be covered by margin requirements. For this purpose, the CCP should develop plausible scenarios and conduct stress tests accordingly. At a minimum, a CCP should be able to withstand a default by the participant to which it has the largest exposure in extreme but plausible market conditions.

Observing the Recommendation

1. Does the CCP maintain sufficient financial resources to cover potential residual losses that exceed the losses to be covered by margin requirements? Has the CCP developed scenarios of extreme but plausible market conditions for this purpose and conducted stress tests accordingly? What scenarios are evaluated? Do the scenarios include the most volatile periods that have been experienced by the markets for which the CCP provides services? Does the CCP at least have sufficient resources to in the event of default by the participant with the largest exposure? Has the potential for multiple simultaneous defaults been evaluated? Are stress tests performed at least monthly, with a comprehensive reconsideration of models, parameters and scenarios occurring at least annually? Does the CCP have a clear policy on actions to be taken in the event stress testing results indicate resources are not likely to be adequate to meet its obligations resulting from a default? Has it adhered to that policy? Is the policy available to participants and authorities?

Does the CCP maintain sufficient financial resources to cover potential residual losses that exceed the losses to be covered by margin requirements?

Oslo Clearing offers clearing services for both equity market instruments and derivatives. Oslo Clearing maintains sufficient financial resources to cover potential losses that may arise in either of the cleared markets or both.

The equity segment relies on a Clearing Fund and the own funds of Oslo Clearing to cover potential losses.

The derivatives segment is in majority based on the full segregation of end client positions and collateral, with an unambiguous right for Oslo Clearing to port out these end clients, should their clearing member enter into default. This reduces the potential loss impact for Oslo Clearing. Presently Oslo Clearing relies solely on its own funds to absorb losses in the derivatives segment.

The regular stress testing performed by Oslo Clearing shows that the own funds of Oslo Clearing are more than sufficient to withstand the default of the largest exposure under extreme, but plausible market conditions.

Has the CCP developed scenarios of extreme but plausible market conditions for this purpose and conducted stress tests accordingly?

The stress test methodology of Oslo Clearing is based on classifying all underlying equity market instruments, indexes and interest rate instruments in nine (9) different market segments, and altering prices in three (3) directions (up, down and unchanged) according to specific rules for how market segments interact. The result is 369 different, but plausible, market scenarios.

The same scenarios are applied to both equity and derivatives markets as well as collateral in form of equity market instruments, interest rate instruments, and cash denominated in foreign currency.

What scenarios are evaluated? Do the scenarios include the most volatile periods that have been experienced by the markets for which the CCP provides services?

The 369 scenarios do not include inconsistent combinations of price movements per segment. Price movements per segment are derived from the current margin rates per underlying market instrument, and scaled with a factor in order to test outcomes with at least 4 standard deviations. The stress test methodology, although scenario based, has been designed so as to include the most volatile periods that have been experienced.

The dynamics of the stress test methodology implies that the regular factor adjustments on the margin rates affect the levels for stress testing. In addition, Oslo Clearing has introduced minimum stress test levels in order to permanently reflect the price movements observed for the most volatile periods in the markets cleared.

Does the CCP at least have sufficient resources to in the event of default by the participant with the largest exposure? Has the potential for multiple simultaneous defaults been evaluated?

Oslo Clearing measures the stress test as the value, given the default of one member, and its largest end client (only applicable for the derivatives segment), calculated across all members and all scenarios.

For internal purposes, multiple simultaneous defaults are also considered. The largest two exposures are calculated and reported on a daily basis.

Are stress tests performed at least monthly, with a comprehensive reconsideration of models, parameters and scenarios occurring at least annually?

Stress tests are run daily. The stress test model is reviewed annually. However, the model may be subject to adjustments, in order to cover new products or markets, or in the event model inconsistencies are uncovered.

Does the CCP have a clear policy on actions to be taken in the event stress testing results indicate resources are not likely to be adequate to meet its obligations resulting from a default? Has it adhered to that policy? Is the policy available to participants and authorities?

The Risk Management department ("Risk Management") monitors stress test results and are required to inform the CEO of Oslo Clearing if the daily stress test value exceeds 70 pct. of the own funds of Oslo Clearing. Further, the Board of Directors must be informed when the daily stress test values exceed 80 pct. of the own funds, in accordance with the Policy for Credit and Market Risk.

Oslo Clearing is constricted by the STA section 13-2 (1) to have regulatory capital (own funds) that is appropriate to the operations conducted. The Board of Directors is regularly informed on the compliance of the capital requirement. Procedures are in place, should the capital requirement exceed pre-defined thresholds.

The Policy has been approved by the Board of Directors.

2. What are the types and values of resources that the CCP has available to cover losses from participants defaults? Is there a high degree of assurance that the CCP will be able to draw on those resources for the anticipated value in the event of a participant's default? How is use of the resources by the CCP ordered? Do the CCP's rules prohibit them from being used to cover operating losses from other CCP activities?

What are the types and values of resources that the CCP has available to cover losses from participants defaults?

Oslo Clearing has a set-up which relies on different lines of defence for its two clearing segments.

The equity segment is set up with a Clearing Fund. The Clearing Fund is dynamic, implying that it increases in line with higher market activity and risk levels. The Clearing Fund is currently NOK 202 million.

The contribution of each equity clearing member to the Clearing Fund is recalculated monthly, and is the higher of:

- The basic Clearing Fund Contribution:
 - for a Direct Clearing Member (DCM): NOK 8 million
 - for a General Clearing Member (GCM): NOK 15 million
- A fixed percentage of the average value of the Initial Margin for the Net Clearing Transactions of the clearing member over the previous 30 Clearing Days.
- A fixed percentage of the average value of the Initial Margin for the Net Clearing Transactions of the clearing member over the previous 250 Clearing Days.

The current applicable rate is 12 pct.

Collateral pledged for the Clearing Fund is held separate from collateral held for Margin requirements.

The equities and derivatives segments both rely on the own capital of Oslo Clearing, which they will share in common, when all preceding lines of defence have been exhausted. The own funds of Oslo Clearing are currently NOK 160 mill.

A more detailed description of the lines of defence and the prioritised order in the use of resources is provided below.

Is there a high degree of assurance that the CCP will be able to draw on those resources for the anticipated value in the event of a participant's default?

The majority of available resources in the form of margin collateral and the Clearing Fund are pledged to Oslo Clearing. The pledge under Norwegian and Luxembourg law constitute a high degree of assurance that Oslo Clearing will be able to draw on these resources. Pledge under English law requires a court order to be able to draw on these resources, thus for clearing members relying on credit institutions based in the United Kingdom, cash collateral is deposited directly to Oslo Clearing (transfer of title)

How is use of the resources by the CCP ordered?

As described above, Oslo Clearing offers two separate clearing services and default procedures, hence use of resources or other mechanisms is applied separately for each service, until the own funds of Oslo Clearing, less a contribution of NOK 30 mill. for equity clearing, are the only remaining resources to absorb any uncovered loss.

Resources will be used according to a given order, however the order and hence default procedures will differ between the equity and the derivatives clearing. Figure 1 below, provides an illustration of the waterfall of resources for the two clearing segments.

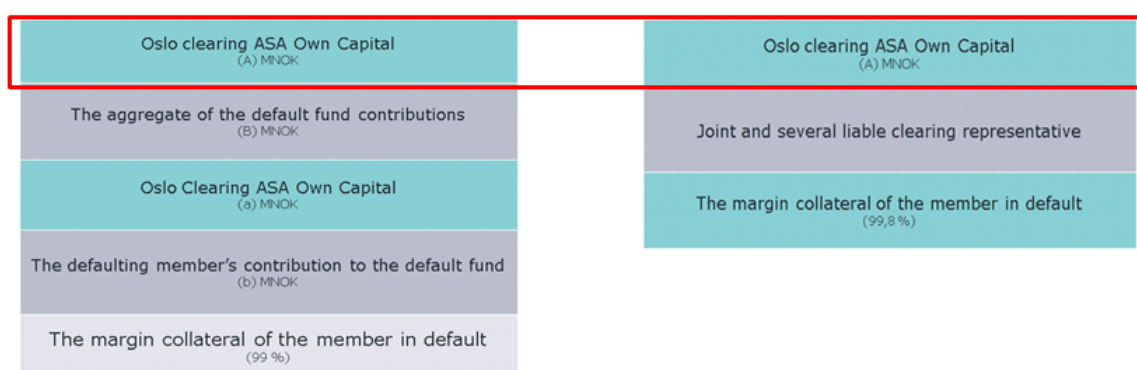
Figure 1: Order of Resources and Mechanisms available to Oslo Clearing

The Equity Clearing Model

- Margin Collateral pledged by Clearing Member
- Defense lines consist of Clearing Fund and Own Capital
 - defaulting member's contribution to be exhausted before any other resource is used
 - Oslo Clearing contributes with an amount up to NOK 30 mill. before using remaining Clearing Fund
- Last line of Defense is Own Capital of Oslo Clearing

The Derivatives Clearing Model

- Margin collateral pledged by End-Client
- Mutual responsibility of Clearing Member and End-Client
- Unconditional right for Oslo Clearing to appoint new clearing representative for End-Clients
- Last line of Defense line is Own Capital of Oslo Clearing



1) default in the equities segment

Oslo Clearing will in a material default of a clearing member in the equity segment only, proceed to a "close-out" of its clearing transactions and start realising the margin collateral of this member, which also includes the Clearing Fund contribution of the defaulting member. Before applying the Clearing Fund to cover any remaining loss, Oslo Clearing will contribute with up to NOK 30 million. Upon having exhausted the Clearing Fund, the remaining own funds of Oslo Clearing will be applied to cover any remaining loss, cf. figure 1, above.

A loss suffered by a member clearing equities only will be covered in the following sequence, by:

- (a) liquidation of margin collateral deposited by the Clearing Member;
- (b) liquidation of the defaulting clearing member's portion of the Clearing Fund;
- (c) Oslo Clearing's own funds, however, limited to NOK 30 million for Events of Default occurring on the same Clearing Day, however, limited to NOK 60 million in total for all Events of Default within a 30 days' period;
- (d) proportionate liquidation of the remaining clearing member's portion of the Clearing Fund, based on the size of each clearing member's Clearing Fund Contribution relative to the Clearing Fund as a whole, not including the defaulting clearing member, at the time of the Default occurred.

2) default in the derivatives segment

Oslo Clearing will upon material default of a clearing member in the derivatives segment only, proceed to a "close-out" of its clearing transactions and start liquidating the margin collateral of the defaulting member. End clients will be treated in accordance with the clearing model chosen by their clearing representative. Under the GCM model, where only end client positions are segregated, all end client positions and collateral held in an omnibus account will be liquidated simultaneously with the "close-out" process. For the fully segregated model, whereby end clients have segregated positions and collateral accounts, and have signed an FCA with Oslo Clearing, Oslo Clearing will initiate a transfer of the end clients to another clearing member immediately after the material default. In any case, the clearing member is jointly and severally liable for any loss caused by its end client(s).

The order of priority in the derivatives clearing is given by:

- (a) margin collateral posted by the individual investor and clearing member
- (b) the participant's joint and several liable clearing member's equity capital and
- (c) Oslo Clearing's own funds

Segregated end clients, with an FCA, are margined individually, and are individually required to collateralise their margin, implying that Oslo Clearing disposes of a large margin base.

The own funds of Oslo Clearing will only come to use when all loss reducing mechanisms described above have been exhausted.

3) the joint default in the equities and derivatives segments

Several clearing members participate in both clearing segments, i.e. equity and derivatives clearing. In the event of a material default, Oslo Clearing will ensure that the default procedures and the orderly use of the available resources in each service is conducted in parallel and independently of each other, until the own funds of Oslo Clearing are the only remaining resource. The own funds of Oslo Clearing, less the amount already used to cover losses in the equities clearing, will be used to absorb any remaining loss on this clearing member, irrespective of which clearing service the loss is attributable to.

Any surplus from the liquidation in one service will be applied to cover losses in the other service. Oslo Clearing has the right to realise any available collateral belonging to the defaulting member, including its contribution to the default fund.

Oslo Clearing is refrained from using non-defaulting clearing member's contribution to the Clearing Fund to cover losses from a defaulting member, if the loss is attributable to derivatives clearing.

Do the CCP's rules prohibit them from being used to cover operating losses from other CCP activities?

Oslo Clearing is a public limited company, and in accordance with the PLCA, there are no limitations in using its own funds to cover operating losses, however, such that Oslo Clearing at all times is subject to the minimum requirements as to capital set out in the PLCA and the STA.

3. Are any of the resources that the CCP is relying upon to cover losses from defaults not immediately available to meet the CCP's obligations? If so, has the CCP obtained committed credit lines to meet the CCP's obligations? If so, can those lines be drawn upon sufficiently quickly to ensure that the CCP can meet its obligations when due? Do the CCP's rules ensure that the resources posted by a defaulter are used prior to other financial resources in covering losses?

Are any of the resources that the CCP is relying upon to cover losses from defaults not immediately available to meet the CCP's obligations?

Resources in the form of margin collateral and contributions to the Clearing Fund are in majority deposited in cash or securities collateral accounts pledged to Oslo Clearing. Oslo Clearing may upon material default initiate immediate liquidation of the collateral, cf. the FCA.

The own funds of Oslo Clearing exist in the form of cash, deposited on cash accounts in credit institutions and interest rate instruments, subject to the requirements on credit quality and diversification set by the Policy for Credit and Market Risk.

If so, has the CCP obtained committed credit lines to meet the CCP's obligations? If so, can those lines be drawn upon sufficiently quickly to ensure that the CCP can meet its obligations when due?

Oslo Clearing maintains liquidity arrangements with commercial banks, but has also access to an intraday liquidity facility with Norges Bank. The liquidity facilities permit the immediate transfer of funds to settle obligations when due. In extraordinary circumstances, or when deemed necessary, Oslo Clearing may defer its obligation to settle, however, Oslo Clearing is required to remediate cash settlement in equities clearing within three (3) clearing days.

Do the CCP's rules ensure that the resources posted by a defaulter are used prior to other financial resources in covering losses?

Any collateral posted by the clearing member to satisfy the margin requirements or the Clearing Fund contribution requirement, will be exhausted before any other financial resource is liquidated, i.e. the remaining Clearing Fund and the own funds of Oslo Clearing.

Assignment of assessment:

Oslo Clearing deems to have sufficient financial resources to cover potential residual losses that exceed the losses to be covered by margin requirements based upon its stress test procedures, in both equities and derivatives clearing.

Oslo Clearing is able to withstand a default by the participant to which it has the largest exposure in extreme but plausible market conditions. Oslo Clearing has a high degree of assurance that it can draw on the anticipated value of its financial resources in the event of a default (Q1, 2).

Oslo Clearing uses an appropriate stress test procedure to evaluate the adequacy of its resources. The procedure assesses the adequacy of resources in the event of a default in extreme conditions daily. The procedure will cover periods when markets are unusually volatile or become less liquid or the size or concentration of positions

held by its participants increases significantly. A review of the stress test procedure (including full model and parameter validations and consideration of scenario choices) is performed at least annually.

Scenarios include the default of the participant with the largest potential obligation as well as defaults by two or more participants (particularly related group members or affiliates). Appropriate theoretical scenarios cover the most volatile periods that have been experienced by the markets for which the CCP provides services.

Assumptions are disclosed to the competent authorities, but only partially to participants. Stress testing procedures include a clear and transparent policy on actions to be taken in the event resources potentially are not adequate (Q1).

The CCP has appropriate credit lines that allow it to borrow against assets not immediately available. The CCP's rules ensure that the resources posted by a defaulter are used prior to other financial resources in covering losses (Q3).

The recommendation 5 on other risk controls is observed

6 - Default Procedures

A CCP's default procedures should be clearly stated, and they should ensure that the CCP can take timely action to contain losses and liquidity pressures and to continue meeting its obligations. Key aspects of the default procedures should be publicly available and tested regularly.

Observing the Recommendation

1. Do the CCP default procedures state clearly what constitutes a default? If a default occurs, do the CCP's default procedures provide it with authority to promptly close out or manage the positions of a defaulting participant and to apply the defaulting participant's collateral or other resources? Do the CCP's procedures, or mechanisms other than those of the CCP, permit the transfer or (as an alternative) liquidations of the positions and margin of customers of the defaulting participant? Do the procedures empower the CCP to draw promptly on any financial resources?

Do the CCP default procedures state clearly what constitutes a default?

The Clearing Rules clearly state what constitutes situations of default, also including circumstances that represent material default.

If a default occurs, do the CCP's default procedures provide it with authority to promptly close out or manage the positions of a defaulting participant and to apply the defaulting participant's collateral or other resources?

The Clearing Rules provide Oslo Clearing with the necessary authority to close out and manage the positions of a defaulting participant, hereunder applying the defaulting member's collateral.

Further, for the derivatives segment, with a segregated end-client model, Oslo Clearing has an unambiguous right to transfer end client positions under the defaulting clearing member to another clearing member. Collateral posted collateral is

held on individual deposit accounts, in the name of the individual end-client, with senior security interest and right of disposal in favour of Oslo Clearing.

Each clearing member, and end client, where applicable, shall sign an FCA before commencing clearing. The FCA entitles Oslo Clearing to liquidate the security objects to meet the clearing member's financial obligations. Oslo Clearing is further entitled to carry out recovery of pledged assets as mentioned in Section 4-6 of the Mortgage and Pledges Act of 2 February 1980 no. 2, and forced sales of financial instruments as mentioned in section 1-3 second paragraph of the Enforcement Act of 26 June 1992 No. 86. The clearing member also accepts that Oslo Clearing may carry out forced sales without invoking enforcement proceedings.

Oslo Clearing also has an irrevocable and unconditional right of disposal in its favour over the pledged collateral accounts. Oslo Clearing will place claim against the estate of the end client and /or the clearing representative for any loss not covered by posted collateral or other resources from the defaulter.

Do the CCP's procedures, or mechanisms other than those of the CCP, permit the transfer or (as an alternative) liquidations of the positions and margin of customers of the defaulting participant?

For the equity segment, Oslo Clearing does not have explicit rules that permit the transfer or liquidation of the positions and margin collateral of customers under a defaulting clearing member.

Oslo Clearing offers to set up segregated Clearing Accounts for the clearing member. The Equities Rulebook, section 4.1, last paragraph, states that "*Oslo Clearing will not be entitled to offset/net claims and obligations related to Segregated Accounts against claims/obligations related to other Clearing Accounts.*", and further section 4.2.1 states that "*A Clearing Member shall establish one or more Collateral Accounts for each Margin Account. Oslo Clearing will not be entitled to utilise collateral placed for Segregated Accounts to cover claims/obligations related to other Clearing Accounts.*"

A segregated Clearing Account will in accordance with the Equities Rulebook be liquidated separately from the other Clearing Accounts under a defaulting clearing member, and available resources will only be used to cover losses arising on this Clearing Account.

Oslo Clearing has procedures in place that enables the transfer of positions and collateral belonging to a segregated account. For a transfer of position to take place, Oslo Clearing and the administrator of the bankruptcy estate of the defaulted clearing member have to agree on such a transfer. A transfer of the customer and its positions is further subject to the acceptance by the receiving clearing member.

In the derivatives segment, depending on the model chosen by the clearing member to represent its end clients towards Oslo Clearing, end client positions and collateral that are fully segregated may be ported out. Oslo Clearing disposes of an unambiguous right to, cf. Standard Terms section 10.5, to port out end clients with their positions and collateral, but also to assign any other non-defaulting clearing member as the receiver of these end clients.

Do the procedures empower the CCP to draw promptly on any financial resources?

Oslo Clearing may in the event of a material default declare all claims against the clearing member to be immediately due and payable, carry out close out and foreclose any and all collateral provided. This enables Oslo Clearing to draw promptly on the financial resources pledged by the defaulting member.

Further, in accordance with Appendix 3 of the Equity Rulebook, Oslo Clearing is entitled to liquidate the collateral for Clearing Fund contributions from the non-defaulting clearing members, to the extent necessary to apply the Clearing Fund in accordance with the Equity Rulebook, hereunder Appendix 3. This is not only relevant for clearing members in the equity segment, but may also have an impact on the derivatives segment, cf. the description on how CCP resources are ordered in section 5.2. of this Self Assessment.

2. Does the legal framework provide a high degree of assurance that the decisions to liquidate or transfer a position, to apply margin or to draw down liquidity resources in the event of the insolvency of a participant would not be stayed or reversed? Does national insolvency law permit identification and separate treatment of customer and proprietary assets?

Does the legal framework provide a high degree of assurance that the decisions to liquidate or transfer a position, apply margin or to draw down liquidity resources in the event of the insolvency of a participant will not be stayed or reversed?

Reference

The legal framework of Oslo Clearing provides a high degree of assurance that the decisions to liquidate or transfer a position, to apply margin or to draw down liquidity resources in the event of the insolvency of a participant will not be stayed or reversed as described in recommendation 1 (Legal Risk).

Does national insolvency law permit identification and separate treatment of customer and proprietary assets?

National insolvency law permits identification and separate treatment of customer and proprietary assets. Such assets shall, however, be identified and separated. For that purpose, the clearing member may in the equity segment choose to establish segregated accounts for end clients. In the derivatives segment, most end clients have segregated accounts for both positions and collateral.

Oslo Clearing will not be entitled to offset or net claims and obligations related to segregated accounts against claims or obligations related to other clearing accounts, except where this is provided for in the Clearing Rulebook.

Clearing Rules section 4, 3 paragraph

If a clearing member is subject to close out, Oslo Clearing shall carry out a separate close-out for each of the segregated clearing accounts. Oslo Clearing cannot offset claims due to the clearing member that relate to a segregated clearing account against Oslo Clearing's claim on the clearing member in respect of other clearing accounts.

Clearing Rules section 9.4, 4 paragraph

However, in the equity segment, if the clearing member does not apply

the segregated account structure Oslo Clearing may and will liquidate all assets etc. held on his clearing accounts to the extent necessary in order to cover any losses. In the derivative segment, segregated accounts for both positions and collateral for end clients, ensure separate treatment of customer and proprietary positions and assets.

3. Has the CCP analysed the effects which its default management procedures may have on the market? Does the CCP's management have internal plans for implementing its default procedures? Does the plan maintain a measure of flexibility for the CCP in deciding how best to implement its default procedures? Does the plan address the need for coordination in cases where more than one CCP, authority or a separate market operator is involved? How frequently is the plan revised? How is the plan tested and how often do such tests occur?

Has the CCP analysed the effects which its default management procedures may have on the market?

Oslo Clearing has performed qualitative analysis on the potential market impact of the default management procedures. The analysis has formed the base for the Rulebooks, but also risk management procedures and functionality, which allows Oslo Clearing to carry out close out procedures and balancing trades, as preferred in the individual default situation.

Does the CCP's management have internal plans for implementing its default procedures?

Oslo Clearing has internal policies and procedures that govern the required considerations and necessary operations in the event of a default. Oslo Clearing has established a set of written default procedures, but also an emergency plan and a plan for notifying key personnel.

Does the plan maintain a measure of flexibility for the CCP in deciding how best to implement its default procedures?

The framework defines responsibilities and guidelines for different functions such as the formal declaration of (a material) default, liquidation of positions, coordination with third parties, informing of other participants etc. The framework is set out to address different types of events deemed critical, however with the necessary degree of freedom to handle different type of default or critical situations and maintain flexibility for the CCP in deciding how to best implement default procedures. The framework is reviewed on a yearly basis.

Does the plan address the need for coordination in cases where more than one CCP, authority or a separate market operator is involved? How frequently is the plan revised? How is the plan tested and how often do such tests occur?

Oslo Clearing regularly tests its default procedures through a simulating "real life" event, involving all functions of Oslo Clearing, but also co-operating institutions, such as the market place (Oslo Børs) and the securities depository (VPS), where applicable.

Assignment of assessment:

The default procedures of Oslo Clearing clearly state what constitutes a default and explicitly permits Oslo Clearing to close out or manage the positions of a defaulting participant. The Clearing Rules, procedures and mechanisms permit the liquidation of the customers' positions and assets, but not their transfer. However a framework is in place allowing for such a transfer to take place.

The Rulebooks and procedures allow Oslo Clearing to promptly draw on any financial resources, including liquidity facilities (Q1).

The legal framework provides a high degree of assurance that decisions to liquidate a position, to apply collateral or to draw down liquidity resources would not be reversed and national insolvency law permits the identification and separate treatment of customer and proprietary assets (Q2).

Oslo Clearing has analysed the effects which implementing its default management plan would have on the market. Oslo Clearing has an internal plan for implementing its default procedures that clearly delineates roles and responsibilities for addressing a default, including plans to draw on any financial resources. The plan addresses the information needs of Oslo Clearing as well as any coordination issues. The plan is reviewed at least once a year and is tested at least once a year (Q3).

Key aspects of the default procedures are readily available to Oslo Clearing, participants and to the public (Q4).

The recommendation 6 on default procedures is observed

7 - Custody and Investment Risk

A CCP should hold assets in a manner whereby risk of loss or of delay in its access to them is minimised. Assets invested by a CCP should be held in instruments with minimal credit, market and liquidity risks.

Observing Recommendation 7

1. At what types of entities is collateral held? Does the CCP verify that these entities' procedures and practices conform to the relevant ESCB-CESR Recommendations for Securities Clearing and Settlement in the European Union? If so, how? Does the CCP confirm that its interest in the securities can be enforced and that it can have prompt access to the securities in the event of a participant's default, even if these securities are held in another time zone or jurisdiction? Does it monitor the financial condition, safeguarding procedures and operational capacity of its custodians on an ongoing basis?

Oslo Clearing accepts collateral in the form of cash deposits, equity instruments and interest rate instruments and guarantees. The collateral model is governed by the provisions of the Mortgage Act of 8 February 1980 No. 2 and the Act on financial collateral of 26 March 2004 No. 17, which implements the Directive 2002/47/EC on Financial Collateral Arrangements.

At what types of entities is collateral held? Does the CCP verify that these entities' procedures and practices conform to the relevant ESCB-CESR Recommendations for Securities Clearing and Settlement in the European Union? If so, how?

Cash collateral is held on individual cash collateral accounts pledged to Oslo Clearing. Oslo Clearing also has a right of disposal to such accounts. The account must be held within custody of an independent cash collateral bank (credit institution) approved by Oslo Clearing. Oslo Clearing has approved eight (8) credit institutions for clearing members and end clients to hold their pledged accounts. These are all credit institutions subject to supervision by their local financial supervisory authority, Oslo Clearing currently makes use of three (3) credit institutions to hold own funds in the form of cash.

Guarantees used to cover margin requirements can only be issued by approved credit institutions with A rating (S&P, or a corresponding rating from Moody's or Fitch) or higher. The creditworthiness of the guarantor and the guarantee are subject to approval by Risk Management and legal counsel of Oslo Clearing.

Collateral in the form of securities is held on individual accounts registered in the name of the clearing member or end client (derivatives segment) within the local CSD (VPS), an ICSD (Clearstream, applicable to equity segment only), or a highly rated credit institution offering custody services (SEB). The accounts are registered with first priority pledge in favour of Oslo Clearing.

VPS is authorised to act as a registry of securities and privileges in accordance with the Central Securities Depository Act of 5 July 2002 No 64. Clearstream provides the same privileges and ensures easy access to the collateral upon default situations. Both VPS and Clearstream conform to the relevant CPSS-IOSCO Recommendations. Collateral may be held on custody accounts with SEB in Sweden. These securities are also pledged directly towards Oslo Clearing.

Does the CCP confirm that its interest in the securities can be enforced and that it can have prompt access to the securities in the event of a participant's default, even if these securities are held in another time zone or jurisdiction?

Collateral is pledged in favour of Oslo Clearing under the FCA, which is governed by the provisions in the Financial Collateral Act, and provides Oslo Clearing with the right to carry out close out and liquidate collateral without affirmative decision by the courts. Oslo Clearing has immediate access to pledged collateral, in all jurisdictions where collateral may be held. Oslo Clearing has performed the necessary legal assessments to support the rights of Oslo Clearing.

The Collateral Agents approved by Oslo Clearing, (CSD, ICSD and credit institutions) are located or operate within a time zone which diverges no more than one hour from the local time zone (CET). Different time zones are consequently not an issue.

Does it monitor the financial condition, safeguarding procedures and operational capacity of its custodians on an ongoing basis?

Oslo Clearing monitors its aggregate exposure towards each individual custodian, and also the custodian's financial resources and operational capacity on an ongoing basis. Oslo Clearing has established standards for the approval of all bank guarantors and guarantees, which are issued in favour of Oslo Clearing.

2. How is cash invested? Are investments secured? What standard does the CCP use to ensure that obligors are highly creditworthy? What standard does the CCP use to ensure that investments have minimal market and liquidity risks? Does the CCP

invest its own capital or margin that it intends to use for risk management purposes in its own securities or those of its parent company?

How is cash invested? Are investments secured?

The own resources, which includes own funds and margins paid to Oslo Clearing by the clearing members, shall be invested in instruments with low credit, market and liquidity risk, in accordance with the Policy for Credit and Market Risk. The Policy requires that at least 80 pct. of the own resources are held in cash, while the remaining may be invested in interest rate instruments. No more than 50 pct. of the own resources may be held in one institution. For cash deposits, the institution shall have an "A" rating (S&P, or a corresponding rating from Moody's or Fitch) or higher.

What standard does the CCP use to ensure that obligors are highly creditworthy?

Credit institutions approved for holding member's collateral are monitored by Oslo Clearing. This also apply for those institutions holding the own resources of Oslo Clearing.

Oslo Clearing has a comprehensive and conservative limit structure for its credit exposure and conforms to this structure. The limit structure has been approved by the Board of Directors and is reviewed regularly. Oslo Clearing performs a credit assessment of obligors and debt issues comparable to any other credit assessment performed to limit undesired exposures.

The securities depositories approved to hold equities and interest rate instruments as collateral are monitored against the CPSS-IOSCO or the ESCB-CESR Self-Assessment.

What standard does the CCP use to ensure that investments have minimal market and liquidity risks?

Investments are limited to managing Oslo Clearing's own resources. In accordance with the Policy for Credit and Market Risk, Oslo Clearing may not take any substantial credit, market, liquidity or foreign exchange risk. Oslo Clearing monitors the credit quality of its investment portfolio, as well as containing market risk exposures in line with limits defined by the Policy for Credit and Market Risk. The liquidity risk in the investment portfolio is assessed as a part of the investment decision process, as well as being monitored on an ongoing basis.

Does the CCP invest its own capital or margin that it intends to use for risk management purposes in its own securities or those of its parent company?

Oslo Clearing does not place any funds in its own securities or those of its parent company.

3. Does the CCP consider its overall exposure to an obligor in choosing investments? Are investments limited to avoid concentration of credit risk exposures? How?

Oslo Clearing considers its overall exposure towards any single bank including its own credit exposure. In this monitoring process all cash exposures are taken into account, both those held by the customers pledged towards Oslo Clearing and Oslo Clearing's own funds. Bank exposure is continuously monitored, reviewed and reported internally.

Oslo Clearing initiates risk-mitigation actions when concentrations are deemed unsustainable.

Assignment of assessment:

Entities holding collateral for Oslo Clearing (in compliance with the relevant ESCB-CESR / CPSS-IOSCO Recommendations) employ accounting practices, safekeeping procedures, internal and external controls, insurance, and other compensation schemes to fully protect securities. The legal framework protects securities against the claims of a custodian's creditors. Oslo Clearing deems there is little risk of delay in its access to securities held with the custodians (Q1).

Claims are on high quality obligors and investments are secured. The investments of Oslo Clearing can be liquidated quickly with little if any adverse price effect. Oslo Clearing has not invested its own capital or margin that it intends to use for risk management purposes in its own securities or those of its parent company (Q2).

Oslo Clearing takes into account its overall exposure to an obligor in setting concentration limits for investments with these obligors (Q3), and taking necessary action on limit breaches.

The recommendation 7 on custody and investment risk is observed

8 - Operational Risk

A CCP should identify sources of operational risk, monitor and regularly assess them. The CCP should minimise these risks through development of operative systems, and effective control procedures. Functions and related systems should be (i) reliable and secure (ii) based on sound technical solutions (iii) developed and maintained in accordance with proven procedures and (iv) have adequate, scalable capacity. The CCP should have appropriate business continuity and disaster recovery plans that allow for timely recovery of operations and fulfilment of a CCP's obligations. Systems should be subject to frequent and independent audits.

Observing Recommendation 8

1. Does the CCP have a process for actively identifying, monitoring, assessing and minimising its operational risk, including risks arising from its outsourced operations and its other activities? Are operational risk policies and procedures clearly defined?

The Regulation on Risk and Internal Control of 22 September 2008 No 1080 impose duties on routines and procedures for identifying, monitoring, controlling and handling operational risks. Oslo Clearing is subject to the provisions imposed by the regulation as well as supervision by Finanstilsynet.

The Board of Directors provides guidelines for the internal control, while the CEO shall ensure that the control is properly documented, carried out and monitored in an efficient way according to the internal risk and control regulation. An overall risk assessment is carried out at least once a year.

The risk assessment is a structured analysis of all risks inherent to the different processes in Oslo Clearing, including processes due to new business activities. The risk analysis shall identify the different aspects of risk that the clearing house is exposed to, as well as the different sources of these risks. This does both cover own and outsourced activities.

Under the daily operations, any incident that exposes Oslo Clearing to any risk will be logged in a database, with a description of the incident, the cause, and an assessment of its severity and the potential (worst case) effects of the incident. Oslo Clearing has a continuous follow up of the logged incidents and implements, if necessary, measures to prevent similar incidents from occurring again.

The activities of Oslo Clearing are also regulated by the Regulation on the use of information and communication technology of 21 May 2003 no. 630 ("ICT"). The ICT lays down regulations on continuity requirements, disaster recovery plans, outsourcing etc. The internal auditor documents that Oslo Clearing complies with both risk and internal control, and ICT regulations. Oslo Clearing has a business continuity plan that ensures that critical information is recovered in a timely manner. The plan ensures that critical systems can be recovered within a very short timeframe. The business continuity plan is tested at least on a yearly basis and appropriate changes to operational routines are made if weaknesses are found.

2. Are there adequate management controls and sufficient (and sufficiently well qualified) personnel to ensure that procedures are implemented appropriately? Are operational reliability issues reviewed regularly by senior management, including review by persons not responsible for the relevant operations? Is there an audit function and does it review operational risk controls?

The management of Oslo Clearing shall ensure that procedures are implemented and reviewed appropriately.

Oslo Clearing has an Internal Control Committee ("ICC") responsible for assessing the organisation's compliance with internal control regulations on an ongoing basis. The ICC consists of senior non executive personnel, with senior competence to assess the operational risks inherent to Oslo Clearing's business activities, and how risks can be mitigated. The ICC reports directly to the CEO, and files every 6 month a separate report to the CEO regarding the activities performed by the ICC including proposed actions, improvements and future plans for the next period.

Is there an audit function and does it review operational risk controls?

An internal auditor, which also performs audits for all companies within Oslo Børs VPS Holding ASA, has formally been appointed by the board of directors of Oslo Clearing with the responsibility to conduct reviews of Oslo Clearings operations.

3. Does the CCP have a business continuity and disaster recovery plan that addresses events posing a significant risk of disrupting operations? Do plans ensure that critical information can be recovered in a timely manner? Do plans allow the CCP to extend operating hours if this ensures safe and complete settlement in a case of emergency? Do plans provide, at a minimum, for the recovery of all transactions at the time of the disruption to allow systems to continue to operate with certainty? Does the business continuity and disaster recovery plan allow for resumption of operations quickly enough so that the CCP can meet its obligations on time? What is the planned resumption time? Does the system operator have a second processing

site? Is the business continuity and disaster recovery plan regularly reviewed and tested with participants? Have appropriate adjustments to operations been made based on the results of such exercises?

Does the CCP have a business continuity and disaster recovery plan that addresses events posing a significant risk of disrupting operations?

Oslo Clearing has business continuity and disaster recovery (contingency) plans with procedures for how to handle any deviation, error or major event that may occur and disrupt the normal operation of Oslo Clearing.

Do plans ensure that critical information can be recovered in a timely manner? Do plans allow the CCP to extend operating hours if this ensures safe and complete settlement in a case of emergency? Do plans provide, at a minimum, for the recovery of all transactions at the time of the disruption to allow systems to continue to operate with certainty?

For the equities segment, Oslo Clearing has entered into a hosting and housing agreement with VPS. The agreement include two data centers and the databases in production and on the back up sites are mirrored at all times.

For the derivatives segment, Oslo Clearing has outsourced the operation of the clearing system to Nasdaq OMX (OMX Technology AB). Nasdaq OMX has, according to Facilities Service Management Agreement, two redundant sites in Stockholm with a primary site and a quick site fail over to a separate data centre.

Does the business continuity and disaster recovery plan allow for resumption of operations quickly enough so that the CCP can meet its obligations on time?

Both primary and backup sites and systems allow operations to continue 24-7 in an emergency situation.

Does the system operator have a second processing site?

VPS has two data centers where the databases in production and on the back up sites are mirrored at all times. Nasdaq OMX has two redundant sites in Stockholm with a primary site and a quick site fail over to a separate data centre.

Is the business continuity and disaster recovery plan regularly reviewed and tested with participants?

Oslo Clearing has a business continuity plan and procedures that ensures that critical systems are recovered in a timely manner. The plan ensures that critical information and systems can be recovered within a very short timeframe. The business continuity plan and procedures are tested at least on a yearly basis according to internal policies and Norwegian ICT regulations.

In addition Nasdaq OMX perform disaster recovery testing once a year to ensure functionality and operability procedures in case of a disaster. Nasdaq OMX has emergency plans for evacuation, relocation and data and business continuity in case of emergency.

Have appropriate adjustments to operations been made based on the results of such exercises?

As a result of exercises improved functionality and technical solutions have been developed and implemented. Contingency procedures have been adjusted accordingly.

4. How many times during the last year has a key system failed? What is the most common cause of failures? How long did it take to resume processing? How much transaction data, if any, was lost? How does the CCP ensure the integrity of messages? Does the CCP have capacity plans for key systems and are key systems tested periodically to determine if they can handle stress volume?

Oslo Clearing reports all major incidents to the FSA according to FSA instructions. Major incidents are also included in the quarterly report sent to the FSA.

System capacity for the derivatives clearing system is tested continuously by Nasdaq OMX. The capacity is determined by a load profile set in Oslo Clearing's Service License Agreement (SLA) with OMX Technology and is evaluated several times a year and documented in monthly reports.

For equities capacity and availability are defined and agreed in an SLA agreement. System capacity and availability are constantly measured and documented 24/7 and evaluated each month.

5. Does the CCP outsource operations? If so, have the relevant authorities been informed? Does the CCP monitor that service providers meet the relevant standards? How? Are appropriate change management procedures in place giving the outsourcing authority the power to require, control and approve changes to the outsourced services?

Does the CCP outsource operations? If so, have the relevant authorities been informed?

The agreements for outsourcing have been approved by Finanstilsynet and comply with the conditions set by the Norwegian Ministry of Finance in connection with the authorisation to act as CCP for equity market instruments.

Finanstilsynet is informed that the derivatives clearing system is delivered and operated by Nasdaq OMX since the migration to SECUR™ in 2006.

Does the CCP monitor that service providers meet the relevant standards? How? Are appropriate change management procedures in place giving the outsourcing authority the power to require, control and approve changes to the outsourced services?

Oslo Clearing has processes and procedures in place to identify, monitor and assess operational risks, including risks arising from outsourced operations.

According to the agreements regarding outsourced services Oslo Clearing and Finanstilsynet may perform audit of the system operators. The operators confirm compliance with Norwegian ICT regulations.

All agreements include a service level agreement with instructions on change management procedures, assess for audit purposes etc.

Assignment of assessment:

Oslo Clearing actively identifies and assesses sources of operational risk and establishes policies related to it, including those operations that are outsourced to third parties, or from its other activities. Its operational risk policies are clearly defined (Q1).

Oslo Clearing has business continuity and disaster recovery plans for key systems, which allow for operations to be resumed quickly in order for Oslo Clearing to meet its obligations on time. The procedures are regularly tested. (Q2).

Oslo Clearing has adequate management controls and sufficient personnel to ensure that procedures are implemented accordingly and operational risk controls are subject to periodic internal audit (Q3).

There are no or few key system failures for existing systems, and recovery of operations is adequate where there is failure, and all key systems are able to handle volume under stress conditions. Oslo Clearing has good controls in place to maintain the integrity of messages for existing systems. (Q4).

The relevant authorities are informed of which operations of the CCP that have been outsourced. Oslo Clearing has established service level agreements and operational procedures with the service providers, and has a continuous monitoring to ensure that the service providers meet the relevant recommendations (Q5).

The recommendation 8 on operational risk is observed.

9 - Money Settlements

A CCP should employ money settlement arrangements that eliminate or strictly limit credit and liquidity risks. If Central bank money is not used, steps must be taken to strictly limit cash settlement risks, that is credit and liquidity risks stemming from the use of banks by a CCP to effect money settlements with its participants. Fund transfers to a CCP should be final when effected and rely on efficient and safe systems.

Observing Recommendation 9

1. *Does the CCP use the central bank model or the private settlement agent model?*

For the settlement process between Oslo Clearing and its clearing members, Oslo Clearing relies on settlement systems VPO for the equity and derivatives segment and Oslo C NOK for the derivatives segment, that involve the settlement system and funds available at Norges Bank. Oslo Clearing maintains settlement accounts with Norges Bank. Settlement of financial instruments, including equity trades and physical deliveries in derivative contracts, are performed through VPO, while daily market settlements in cash for the derivatives segment is performed through Oslo C NOK, which makes use of NBO.

The settlement process to the next tier, i.e. the end client level, relies on commercial bank arrangements.

Oslo Clearing maintains liquidity facilities with commercial banks, however, Oslo Clearing has also access to central bank credit to perform its obligations.

2. Do the CCP's legal agreements with its settlement agent(s) provide that funds transfers to its accounts are final when effected? Do the CCP's regulatory, contractual and legal frameworks clearly define the moment when the CCP's and clearing participants' reciprocal payment obligations are extinguished? Do the laws of the relevant jurisdictions support these provisions? Do the payment systems for the currencies used support intraday finality? Does the CCP routinely confirm that funds transfers have been effected as and when required by those agreements? Is the payment system used by a CCP safe and sound and does it observe the CPSIPS?

For the equity segment, Oslo Clearing participates directly in VPO which is authorised pursuant to Section 4-1 of the Act on payment systems and implements in Norwegian law the provisions of Directive 98/26/EC on Settlement Finality in Payment and Securities Settlement Systems. Oslo Clearing does not make use of settlement agents.

The reciprocal payments obligations between Oslo Clearing and its clearing members are considered extinguished when settled against the VPO LOM of the settlement bank appointed by the clearing member for settlements within VPO.

For the derivatives segment, Oslo Clearing its settlement system Oslo C NOK to perform cash settlement of the daily market settlement (futures), premium and fees. Oslo C NOK relies on the Norwegian Central Bank settlement system for cash settlement (NBO) Oslo C NOK has approval from Finanstilsynet in accordance with section 4, of the act on payment systems, which implements the provisions of Directive 98/26/EC on Settlement Finality in Payment and Securities Settlement Systems. Oslo C NOK is supervised by Finanstilsynet.

Oslo Clearing has settlement systems for the daily market settlement (futures), premium and fees in other currencies (SEK, DKK, EUR). These systems are currently inactive.

The commercial banks support intraday finality, as there is a simultaneous cash settlement for all deposit accounts in the settlement system once a day, with the effects described above.

Oslo Clearing routinely confirms that funds transfers through the main settlement systems, VPO and Oslo C NOK are effected.

3. If the private settlement agent model is used, does the CCP establish and monitor strict criteria for the agents used that address their creditworthiness, access to liquidity, and operational reliability? If the private settlement agent model is used, does the CCP actively monitor the concentration of exposures among the settlement agents, and routinely assess its potential losses and liquidity pressures from a settlement agent's failure? If several currencies or assets are used by the CCP to receive and make payments, does the CCP assess the liquidity pressures that may stem from their use?

If the private settlement agent model is used, does the CCP establish and monitor strict criteria for the agents used that address their creditworthiness, access to liquidity, and operational reliability? If the private settlement agent model is used, does the CCP actively monitor the concentration of exposures among the settlement

agents, and routinely assess its potential losses and liquidity pressures from a settlement agent's failure?

Oslo Clearing does not make use of settlement agents for the purpose of money settlement in VPO (cf. question 2, above). However, Oslo Clearing has appointed liquidity banks for the purpose of transferring liquidity to Oslo Clearing VPO LOM intra-day. The Liquidity banks are subject to assessment of creditworthiness, operational capacity etc. (cf. Recommendation 7).

If several currencies or assets are used by the CCP to receive and make payments, does the CCP assess the liquidity pressures that may stem from their use?

Oslo Clearing does not make use of other currencies or settlement systems operating with other currencies than NOK presently.

4. Has the CCP defined criteria in terms of creditworthiness, access to liquidity and operational reliability that settlement banks should meet? Does the CCP monitor the concentration of payment flows among the settlement banks and assess its potential losses and liquidity pressure if the settlement bank with the largest share of settlement defaults?

Oslo Clearing relies on the central bank model, and as a consequence, monitoring of settlement banks for this purpose is not relevant.

Assignment of assessment:

Oslo Clearing performs the settlement of its obligation through the central bank model. Funds transfers to the Oslo Clearing's accounts are final when effected. The legal, regulatory and contractual framework of the CCP clearly defines the moment at which Oslo Clearing's and clearing participants' obligations are extinguished (Q1, 2).

The payment systems Oslo C NOK and NBO observe the Core Principles for Systemically Important Payments Systems (CPSIPS) (Q2).

The recommendation 9 on money settlement is observed

10 - Physical deliveries

A CCP should clearly state its obligations with respect to physical deliveries. The risks from these obligations should be identified and managed.

Observing Recommendation 10

1. Does the CCP have rules that clearly state its obligations with respect to deliveries of physical instruments?

For the equity segment, the general obligations of Oslo Clearing and clearing members, including their privileges and measures to be effectuated in case of late or failed delivery are clearly stated in section 7 and Appendix 7 of the Equities Rulebook.

For the derivatives segment, physical delivery is carried out in the equity market. Delivery of underlying is part of the product specification, which is an integrated part

of the Derivatives Rulebook. Oslo Clearing requires delivery margin for the physical deliveries in accordance with normal settlement procedures for the given underlying market, cf. Derivatives Rulebook, appendix 2.1. All clearing members agree to follow these rules by signing the Clearing Member Agreement.

2. Does the CCP have obligations to make or receive deliveries of physical instruments? If yes, does the CCP use DVP mechanisms that eliminate principal risk? If the settlement system used by the CCP does not offer simultaneous booking of the DVP and RVP legs, does the CCP take steps to mitigate the principal, liquidity and replacement cost risks? If no DVP mechanism is available, does the CCP take other steps to mitigate principal risk?

Does the CCP have obligations to make or receive deliveries of physical instruments? If yes, does the CCP use DVP mechanisms that eliminate principal risk?

For the equity segment, Oslo Clearing enters into the cleared transactions and assumes the settlement obligations, including the obligations to perform physical delivery of instruments versus cash settlement between the original parties to the transaction. All settlements in equity market instruments will take place within VPO, which provides a Delivery versus Payment ("DvP") mechanism. Oslo Clearing calculates margin requirements and collects margin collateral covering the delivery obligations of the clearing members.

For the derivatives segment, Oslo Clearing's standard procedure upon deliveries of physical instruments, is that the clearing members perform and settle the physical deliveries of financial instruments related to a derivatives contract between themselves (on own behalf or on behalf of end clients) in VPO. The VPO settlement system ensures DVP delivery. Margin is collected and kept until settlement takes place.

Oslo Clearing instructs its participants, but does not take part in the deliveries in VPO. It is only in the situation where a member fails to deliver due to a default situation that Oslo Clearing takes part in the delivery. In such case Oslo Clearing will enter into the settlement and perform the transaction on behalf of the defaulting member. The incurred loss will be discharged against liquidation of pledged margin collateral.

If the settlement system used by the CCP does not offer simultaneous booking of the DVP and RVP legs, does the CCP take steps to mitigate the principal, liquidity and replacement cost risks?

The settlement system offers simultaneous booking of DvP and RvP, thus mitigating actions from Oslo Clearing are not required.

If no DVP mechanism is available, does the CCP take other steps to mitigate principal risk?

The DvP mechanism is available to Oslo Clearing and no other steps are required.

3. Has the CCP identified the money settlement, liquidity, storage and delivery (other than principal) risks to which it is exposed because of the delivery obligations that it assumes? Does the CCP take steps to mitigate these risks? What steps does it take?

In the equity segment, the risk taken on as a result of the delivery obligations assumed by Oslo Clearing is mainly associated with the potential loss due to execution of buy-in procedures, or liquidation of net clearing transactions or collateral (or sell-out). Oslo clearing calculates margin requirements and collects margin collateral from each clearing member until the clearing member's obligations are finally settled. Margin requirements take into account both the (potential) market risk and the accrued "marked-to-market" during the period in which a delivery obligation is deferred.

In the derivatives segment, Oslo Clearing collects and keeps delivery margin until settlement has taken place. This margin is calculated so as to cover the expected closing period upon default, i.e. the period required for Oslo Clearing to buy the shares in the market. Please also refer to the answer to key questions 1 and 2 above.

For any of the two clearing segments, the failure to meet margin requirements is deemed to be material default and Oslo Clearing will immediately take the necessary steps to initiate, close out procedures against the defaulting member.

Assignment of assessment:

Oslo Clearing clearly states its obligations with respect to deliveries of physical instruments. (Q1)

Oslo Clearing makes use of DVP mechanisms for physical deliveries (Q2).

Oslo Clearing identifies the money settlement, liquidity, replacement cost, storage and delivery (other than principal) risks to which it is exposed and takes effective steps to mitigate these risks (Q3).

The recommendation 10 on physical deliveries is observed

11 - Risks in links between CCPs

CCPs that establish links either cross-border or domestically to clear trades should design and operate such links so that they effectively reduce the risks associated with the link. It should evaluate the potential sources of risks that can arise from the linked CCP and from the link itself. It should ensure that the risks are managed prudently on an ongoing basis. There should be a framework for co-ordination between the relevant regulators and overseers.

Observing Recommendation 11

1. What kind of links are in operation? Has the CCP carried out an initial risk assessment of the potential sources of risks that may stem from the linked CCP and arise from the link? In particular, has the CCP ensured that the linked CCP observes the ESCB-CESR Recommendations for CCPs (if established in the EU), or CPSS-IOSCO Recommendations for CCPs (in the case of non EU CCPs)? Does the initial risk assessment of the linked CCP include any other link arrangements of that CCP? Is the risk assessment information up-to-date?

What kind of links are in operation?

Equity segment:

At the moment there are no interoperable link in operation in relation to clearing of equity market instruments traded at Oslo Børs and Oslo Axess.

However 22 October 2009 Oslo Clearing, Oslo Børs and LCH signed a Memorandum of Understanding ("MoU") on a clearing co-operation agreement, with the intention for both CCPs to clear equity market instruments on Oslo Børs.

Negotiations on an agreement and performing the necessary assessments of a potential link have been pending on the outcome of the regulatory approval by the competent authorities inter alia in the UK on the linked arrangement between LCH and SIS X-Clear (Swiss clearing house), but also the new regulatory framework for CCPs in Europe (EMIR). The competent authorities in the United Kingdom and Switzerland recently approved the linked arrangement between LCH and SIS X-Clear (2011), however terms and conditions of the approval have not been fully disclosed and Oslo Clearing does not possess exhaustive information about the requirements from the competent authorities to operate this link. Further, there are several ongoing initiatives to interoperate with LCH. EMCF (Pan-European CCP, established in the Netherlands) and EuroCCP (Pan-European CCP, established in the United Kingdom) are requesting interoperable access to LCH, are subject to the approval by the Financial Supervisory Authority ("FSA"), amongst others.

It is a condition precedent for another CCP to commence clearing of equity market instruments on Oslo Børs and Oslo Axess that Oslo Børs formally appoints the CCP to clear equity market instruments on Oslo Børs and Oslo Axess. An interoperable link between Oslo Clearing and another CCP further presupposes an agreement between Oslo Børs and the CCP, but also that Oslo Clearing and the appointed CCP enter into a clearing co-operation agreement.

A CCP that seeks to operate as CCP for equity market instruments on Oslo Børs has to obtain authorisation by the competent authorities to do so, and Oslo Clearing is of the understanding that the clearing co-operation agreement between Oslo Clearing and the CCP will require approval from the competent authorities.

Derivatives segment:

Oslo Clearing and Oslo Børs have entered into a linked exchange and clearing co-operation on standardised derivatives with LCH and Turquoise (London Stock Exchange Group, "LSEG") respectively. This agreement replaces the agreement originally established in 2004 between NOS Clearing, Oslo Børs, OM Stockholm AB and the OMLX Exchange in London.

This agreement was terminated on the 7 December 2009 and open cross-border positions at the date of termination were left to expire in accordance with contract specifications. All remaining cross-border positions between Oslo Clearing and NasdaqOMX were closed by end of Q3 2010.

The agreement between Oslo Børs and Turquoise facilitates trading in standardised derivatives listed on Oslo Børs and Turquoise in a joint order book. The choice of clearing provider is governed by the trade venue, implying that derivative trades executed by members on Oslo Børs are cleared by Oslo Clearing, and derivative

trades executed by members on Turquoise are cleared by LCH, in accordance with the clearing co-operation agreement.

Has the CCP carried out an initial risk assessment of the potential sources of risks that may stem from the linked CCP and arise from the link?

Generally:

Oslo Clearing is attentive to clearing co-operation agreements or interoperable links being a potential source of risk. Consequently Oslo Clearing has performed a thorough assessment of potential sources of risk, and will continue to do so for any future request for clearing co-operation or interoperable link.

Any assessment performed by Oslo Clearing is to ensure that any clearing co-operation agreement meets regulatory requirements, where applicable, and standards, or guidelines established by the competent authorities.

A central point to any assessment shall be that a co-operating CCP shall demonstrate its financial soundness, but also that it has the operational capacity to clear the relevant market and products. Further, any co-operation agreement or interoperable link shall ensure that neither party is exposed to new or additional risks as a consequence of the link, which may jeopardize the financial market infrastructure and expose the financial markets to systemic risks. Thus, any linked agreement must ensure that the parties:

1. meet their obligations in a timely manner
2. have clearly defined their respective rights and obligations
3. have agreed the applicable law governing their relationships
4. manage credit and liquidity risks so that a default of a clearing member of one CCP does not affect an interoperable CCP
5. address potential interdependences and correlations that arise

Derivatives segment:

Oslo Clearing performed an initial assessment of the co-operation agreement on standardised derivatives with LCH in 2009, before its commencement. The co-operation arrangement was subject to a formal risk analysis, and required a formal approval by the Board of Directors of Oslo Clearing.

Further, a due diligence was performed mutually by both Oslo Clearing and LCH.

The Guidelines for Interoperability (2007), but also the European Association of Counterparty Clearing Houses ("EACH") Inter-CCP Risk Management Standards (2008) have been used as a basis and guidance for the cooperation, even though not applicable to derivatives.

a) Legal Risk

The clearing co-operation between Oslo Clearing and LCH, implies that Oslo Clearing's balance may consist of derivatives contracts with Oslo Clearing's members which in part have been matched with derivative contracts entered into with LCH, which again will have corresponding contracts with its members.

The fact that a CCP has positions governed by different laws and jurisdictions in the case of disputes (with applicable procedural rules) is as a general rule a legal risk factor for a CCP, potentially having the consequence that matched positions are governed by the laws of two jurisdictions. This risk factor is difficult to eliminate in an international clearing co-operation across two jurisdictions, unless the parties agree with their respective clearing members/end clients that the laws of one of the parties shall govern all positions, including all disputes.

Derivatives contracts entered into between Oslo Clearing and its clearing members and end clients are governed by Norwegian law, cf. Recommendation 1 legal risk above. However, the clearing co-operation agreement with LCH and the relationship between LCH and its clearing members is subject to English law.

In Oslo Clearing's view the potential legal risk this represents has been limited. The reason is that the co-operation with LCH is based on the principle that one of the markets will be regarded as a "Main Market" for each individual contracts. The rules of the Main Market will also govern the balance contract between the two CCPs. Accordingly, for the Norwegian derivatives the trading rules of Oslo Børs and the Derivatives Rulebook will govern the content of the positions between Oslo Børs and LCH, and which will also govern the relationship between Oslo Clearing and its customers. Equivalently, Turquoise/LCH will be the main market for the other derivative contracts covered by the cooperation and LCH's rules and contracts specifications will in such cases be decisive.

In Oslo Clearing's opinion the Main Market principle eliminates a substantial part of the risk related to conflict of laws.

b) Risk Management

Oslo Clearing and LCH have assessed each others principles for Risk Management. Margining. Further, the stress test models have been reviewed. Both parties have agreed, in line with the EACH Inter-CCP Risk Management Standards, to apply their own margin model to calculate the margin requirement against the other CCP. Different models entail the risk of calculating different margin requirements for identical positions.

Margins are calculated daily and both parties are required to meet their respective daily margin requirements no later than 13:00 CET. Further, both parties have agreed not to perform any additional margin call intra-day.

Oslo Clearing and LCH meet their respective margin requirements relying on bank guarantees.

Oslo Clearing and LCH have reviewed each others default mechanisms, including the set up of defence lines. In line with the EACH Inter-CCP Risk Management Standards, Oslo Clearing and LCH have agreed not to contribute to each others post- default backing mechanism (default fund).

c) Review of the co-operation agreement

Oslo Clearing and LCH perform reviews of the clearing co-operation, and of each other on a regular basis. Oslo Clearing's Risk Management is responsible for the continuous monitoring of the creditworthiness of LCH as legal counterparty to the

trades concluded under the co-operation agreement. There are specific operational procedures in place to help mitigate the risks associated with the arrangement.

Each party is required to notify the other on certain events, f. ex. if a clearing member defaults, or on amendments to the clearing rules, etc.

In particular, has the CCP ensured that the linked CCP observes the ESCB-CESR Recommendations for CCPs (if established in the EU), or CPSS-IOSCO Recommendations for CCPs (in the case of non EU CCPs)?

LCH observes the CPSS-IOSCO recommendations, except for recommendation 9 - Money Settlements, which is broadly observed.

The Self Assessment of LCH was last updated in December 2009.

Oslo Clearing and LCH are members of EACH, and adhere to the EACH Supplementary Risk Recommendations (December 2009)

Does the initial risk assessment of the linked CCP include any other link arrangements of that CCP?

At the time of the initial risk assessment of the derivatives arrangement with LCH as described above, there were no other interoperable links authorised by the competent authorities. Accordingly the risk assessment did not include any other link arrangements

The assessment of LCH in connection with a potential interoperable link with LCH to clear equity market instruments on Oslo Børs and Oslo Axess will also include a careful assessment of all link arrangements LCH has in place with other CCPs.

Is the risk assessment information up-to-date?

The risk assessment information is held up to date through regular reviews performed by either party, which is focused on ensuring that the linked arrangement is safe and does not entail elements of systemic risk.

2. What are the potential sources of operational, credit, liquidity and settlement risks arising from the link? Are effective mechanisms in place, including arrangements between the linked CCPs, to monitor and manage the risks identified? Are the resultant risk management arrangements designed to minimise or contain these risks, such that the CCP remains able to observe the other Recommendations contained in this report? Do the terms of the link agreement set forth how the CCP exposure to the linked CCP is managed in order to ensure an adequate level of coverage while limiting contagion risks?

What are the potential sources of operational, credit, liquidity and settlement risks arising from the link?

Oslo Clearing and LCH have agreed on operational procedures, in order to define responsibilities and tasks in the respective clearing systems. Formal procedures have been established to handle incidents or errors, such as imbalances in cross border settlements, on a daily basis. Any incident involving the two CCPs will be investigated and resolved jointly in accordance with the provisions of the operational agreements/procedures.

Liquidity risk may arise as a consequence of the size and the direction of the cross-border positions, but also due to 'value date' for payments. Oslo Clearing has liquidity arrangements in place to perform net payments or cash advances to LCH. 'Value date' issues due to payments to and from LCH being delayed with one (1) business day, and which created important liquidity issues for both parties, have been solved unilaterally by Oslo Clearing.

Are effective mechanisms in place, including arrangements between the linked CCPs, to monitor and manage the risks identified?

Oslo Clearing has fairly effective mechanisms in place to manage risk in the clearing co-operation with LCH. Oslo Clearing and LCH recognise each other as clearing houses and thus assume risk as part of the business conducted in accordance with the principles laid down in the EACH Inter-CCP Risk Management Standards, however these standards have been designed for links in equity market instruments. Credit risk between the clearing houses is assumed to be low, since these entities perform at least a daily collateralisation of their exposures towards their clearing members, and perform regular credit risk assessments on their members.

Oslo Clearing monitors market and liquidity risks stemming from the arrangement with LCH closely. Oslo Clearing and LCH have established a collateral arrangement where the clearing houses post collateral towards each other based on the exposure on a balance account, which holds aggregate positions of all cross border transactions. The liquidity risk is connected to the situation where LCH does not pay the daily option premiums and the daily market settlements on time. The daily settlements between the clearing houses are monitored daily, and settlements are performed timely.

Are the resultant risk management arrangements designed to minimise or contain these risks, such that the CCP remains able to observe the other Recommendations contained in this report?

Oslo Clearing deems that the risks in the clearing co-operation arrangement with LCH are managed appropriately, which enables Oslo Clearing to observe the other recommendations of this Self Assessment.

Do the terms of the link agreement set forth how the CCP exposure to the linked CCP is managed in order to ensure an adequate level of coverage while limiting contagion risks?

The level of margin coverage is adequate, however no intra-day margin calls are allowed. However, Oslo Clearing has immediate access to the collateral upon material default of LCH, without any decision to be stayed or reversed. Contagion should be limited, however it is difficult to conjecture on the market impact of a CCP default.

3. Which laws and contractual rules govern the link? What steps have the CCPs taken to satisfy themselves that these laws and rules support the design of the link and provide adequate protection to both CCPs in the operation of the link? Do the contractual and regulatory frameworks clearly define the respective obligations of the CCP and protect them from unexpected distortions of rights/obligations?

Which laws and contractual rules govern the link?

As set out above under section 1, the clearing co-operation agreement between Oslo Clearing and LCH is governed by English law. Any dispute or conflict is to be resolved in accordance with the UK Arbitration Act 1996.

What steps have the CCPs taken to satisfy themselves that these laws and rules support the design of the link and provide adequate protection to both CCPs in the operation of the link?

The common agreement on the legal framework, operational procedures and the design for timely collateralisation is presently deemed satisfactory to obtain the desired level of protection.

See section 1 above, including the description of the main market principle in the clearing co-operation agreement.

Do the contractual and regulatory frameworks clearly define the respective obligations of the CCP and protect them from unexpected distortions of rights/obligations?

The contractual framework between Oslo Clearing and LCH defines the respective obligations. The Main Market principle is a key element in reducing potential distortions. This does however not imply that distortions never will arise, due to the legal construction, conflicts of law, et. al.

4. For the purposes of regulation and oversight of the link, is there a framework for cooperation and co-ordination between the relevant regulatory and oversight authorities, including provisions on information sharing and the division of responsibilities in the event of any need for co-ordinated regulatory action?

Oslo Clearing is conscious of the regulatory efforts currently underway (EMIR), that will establish a common regulatory and supervisory framework for CCPs in the EU/EEA.

Oslo Clearing considers this question to be within the competence of the regulatory authorities and has intentionally refrained from answering this question.

Assignment of assessment:

Oslo Clearing has performed an analysis of the risks associated with the linked CCP in the framework of the arrangement with LCH on derivatives and of the design of the link itself. The initial assessment did not include any link arrangements of that CCP, since none was authorised at this time. Through the regular review process of the co-operation, Oslo Clearing shall closely consider the new risks introduced by other CCPs interoperating with LCH. The risk assessment information is as far as possible up-to-date at this time. (Q1)

The operational, credit, liquidity and settlement risks to the CCP arising from the arrangement with LCH on derivatives have been identified, and arrangements between the Oslo Clearing and LCH have been put in place to ensure that these risks are monitored, effectively managed and allow covering the exposure, while mitigating contagion risks. The resultant risk management arrangements are designed in such a way that the CCP remains able to observe the other standards (Q2)

Laws and contractual rules support the design of the link and provide adequate protection to both CCPs in the operation of the link. (Q3)

Oslo Clearing leaves to the competent authorities to provide assessment on whether there is an appropriate framework for co-operation and co-ordination between the relevant regulatory and oversight authorities. Oslo Clearing is aware of the regulatory initiatives which will establish a common regulatory and supervisory for the EEA. (Q4)

Subject to the competent authorities assenting to an appropriate cross border co-operation being in place, the recommendation 11 on risks in links between CCPs is observed.

12 - Efficiency

While maintaining safe and secure operations, CCPs should be cost-effective in meeting the requirements of participants.

Observing Recommendation 12

1. Does the CCP have in place procedures to control costs (for example, by benchmarking its costs and charges - when comparable data of other CCPs are available - against other CCPs that provide a similar service and by analysing the reasons for significant differences)? Does the CCP have in place procedures to regularly review its pricing levels against its costs of operation? Does the CCP have in place procedures to review its pricing levels against those of other CCPs providing for comparable services?

Does the CCP have in place procedures to control costs (for example, by benchmarking its costs and charges - when comparable data of other CCPs are available - against other CCPs that provide a similar service and by analysing the reasons for significant differences)?

Oslo Clearing is a public limited company, and as such required to ensure that the shareholders are given a reasonable return on their investments. The clearing takes place in a competitive market and the cost of clearing is compared with those of competitors.

Does the CCP have in place procedures to regularly review its pricing levels against its costs of operation?

Oslo Clearing regularly reviews its pricing levels against its cost of operation.

The service fees are publicly available on the website of Oslo Clearing. In addition Oslo Clearing adheres to the price transparency requirements set out in Code of Conduct.

Does the CCP have in place procedures to review its pricing levels against those of other CCPs providing for comparable services?

Oslo Clearing benchmarks its service level and prices against comparable services. Service levels and prices are reviewed on a regular basis.

2. Does the CCP regularly review its service levels, (for example, by surveying its participants)? Does the CCP have in place procedures to regularly review operational reliability, including its capacity levels against projected demand?

Does the CCP regularly review its service levels, (for example, by surveying its participants)?

Oslo Clearing regularly reviews both its service levels and operational reliability and adjusts the service offer based on customer demands. Oslo Clearing has developed its clearing service for equities taking the market into consideration, relying on market reference groups. Oslo Clearing offers a service considered as best market practice.

Does the CCP have in place procedures to regularly review operational reliability, including its capacity levels against projected demand?

Oslo Clearing is reviewing the operational reliability according to the service level agreements and parameters agreed with our system operators. System capacity and availability for both equities and derivatives clearing systems are monitored continuously. Capacity and availability levels are determined by load profiles set in Oslo Clearing's Service License Agreements (SLA's) with the system operators.

The SLA parameters are evaluated each month. Prior to launch of new products and services all SLA parameters are reviewed.

Assignment of assessment:

Oslo Clearing has in place mechanisms to review regularly its costs and pricing (Q1).

Oslo Clearing has in place the mechanisms to review regularly its service levels and operational reliability including its capacity levels against projected demand (Q2).

The recommendation 12 on efficiency is observed

13 - Governance

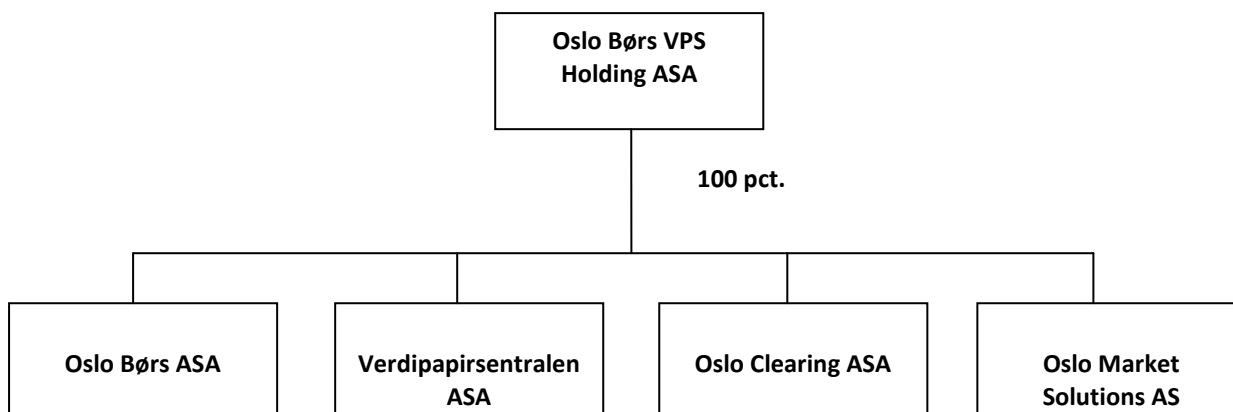
Governance arrangements for a CCP should be clear and transparent to fulfil public interest requirements and to support the objectives of owners and relevant market participants. In particular, they should promote the effectiveness of a CCP's risk management procedures.

Observing the Recommendation 13

1. What are the governance arrangements for the CCP? What information is publicly available (e. g. on the internet, without restrictions) about the CCP, its ownership and its board and management structure?

Oslo Clearing is fully owned by Oslo Børs VPS Holding. OBVPSH is a Norwegian public limited liability company with a broad ownership structure ensuring a neutral and independent fulfilment of its responsibilities. A list of the 20 largest shareholders is attached to this document as Appendix 2.

Figure 2: Legal structure Oslo Børs VPS Holding



An acquisition of a qualifying holding of Oslo Clearing requires that the acquirer sends prior notification to Finanstilsynet, cf STA section 13-1 and 9-10.

Oslo Clearing is authorised as a clearing house for equity market instruments and derivatives, and is subject to supervision by Finanstilsynet

The Board of Directors of Oslo Clearing consists of the following members:

- Bente A. Landsnes, Chair (Oslo Børs VPS Holding)
- Geir Heggem (VPS)
- Anne Ekeren Bjone (VPS)
- Øivind Amundsen (Oslo Børs)

The Board of Directors of OBVPSH consists of members appointed by the General Assembly of OBVPSH, in accordance with the PLCA.

The General Assembly of Oslo Clearing has appointed a Control Committee. The Control Committee consists of the same members as the Control Committee for VPS. The Control Committee reports annually to Finanstilsynet and to the General Assembly.

The Control Committee consists of the following members:

- Håkon Persen Søderstrøm, Chairman (Danske Capital)
- Vegard Østlien (independent advisor, formerly Nordea Bank Norge ASA)
- Cecilie Kvalheim (lawfirm Wikborg Rein)
- Jan Henriksen (INFOSEC Norge AS)

The Control Committee is responsible for assessing the clearing organisation's adherence to applicable laws, regulations and decisions made by other relevant bodies of the organisation. The instructions of the Control Committee are approved by Finanstilsynet.

Regulations for internal control requires that an internal auditor is appointed. The internal auditor shall act as an independent function and as such report directly to the Board of Directors. Oslo Clearing has an Internal Control Committee (ICC), cf. Recommendation 8.

Oslo Clearing is organised with 3 departments, as displayed in figure 3, below.

Figure 3: Organisation of Oslo Clearing



The STA section 13-1 requires that the CEO of the clearing operations have relevant qualifications, work experience and is of good repute. Christian Sjøberg is the CEO of Oslo Clearing and has extensive experience from the financial markets.

Oslo Clearing has separate departments for Risk Management, Clearing Operations and IT & Business Development. All head of departments report to the CEO of Oslo Clearing.

The website of Finanstilsynet and Lovdata, but also other publicly available sources provide free access to laws and regulations covering the clearing house. Further corporate information is available on the website of Oslo Clearing and Oslo Børs VPS Holding, including ownership, the Board of Directors, the management structure, etc.

2. Is there a clear separation in the reporting lines between risk management and other operations of the CCP? How is this separation achieved? Is there an independent risk management committee?

Is there a clear separation in the reporting lines between risk management and other operations of the CCP? How is this separation achieved?

Risk Management is responsible for credit and market risk management, in accordance with the directions given by the Policy for Credit and Market Risk. Risk Management is independent of client relations and sales, clearing operations and the product development functions.

The Risk Manager reports directly to the CEO of Oslo Clearing, however with the obligation to report directly to the Board of Directors if the CEO acts in contradiction with the principles established by the Policy.

The Internal Control Committee, (cf. description under Recommendation 8 Operational Procedures), is responsible to follow up the internal control, and reports directly to the CEO in accordance with internal instructions.

Is there an independent risk management committee?

Oslo Clearing has no independent risk management committee presently. The Board of Directors is the competent body for deciding on the risk profile of Oslo Clearing and all relevant risk management issues are submitted to the Board for approval. These issues are also reviewed by the Control Committee.

3. What steps are taken to ensure that management and the Board have the adequate skills and incentives to achieve the CCP's objectives of delivering sound and effective services and to meet related public requirements? What are the mechanisms the Board has in place to ensure the objectives include delivering sound risk management and meeting related public interest requirements? How is management and the Board made accountable for their performance? How is the composition of the Board determined? Are there mechanisms to ensure that the Board contains suitable expertise and takes account of all relevant interests? Are reporting lines between management and the Board clear and direct? Is the Board responsible for selecting, evaluating, and if necessary removing senior management? Does the Board include independent board members? Are there participants committees and are their decisions and suggestions adequately reported to the Board?

What steps are taken to ensure that management and the Board have the adequate skills and incentives to achieve the CCP's objectives of delivering sound and effective services and to meet related public requirements?

The members of the Board of Directors are selected based on their experience of financial markets and adequate skills, in order to provide the administration of Oslo Clearing with the directions to achieve set objectives. The STA also sets requirements on the aptitude of Board Members and the administration. Oslo Clearing complies with the STA requirements. The staff has broad experience from clearing operations, risk management and has extensive market experience.

What are the mechanisms the Board has in place to ensure the objectives include delivering sound risk management and meeting related public interest requirements?

The independent Control Committee supervises the activities of the Board of Directors, which includes a continuous assessment of the risk profile of the company, as well as ensuring that public interest, as required by legislation is met. The Control Committee reports to the General Assembly and provides a yearly report to Finanstilsynet.

How is the composition of the Board determined? Are there mechanisms to ensure that the Board contains suitable expertise and takes account of all relevant interests?

The members of the Board are elected by the General Assembly and have relevant experience with respect to financial markets infrastructure, hereunder Oslo Børs and VPS, as well as from management and market operations within other areas hereunder IT, and bank and finance.

Are reporting lines between management and the Board clear and direct?

The Board of Directors is responsible for appointing the CEO, and thereby responsible for the evaluation of the management of the activities carried out by the CEO. The Board of Directors is, if necessary, responsible for the removal of the CEO.

The reporting lines between the board and the CEO are clear and direct.

Is the Board responsible for selecting, evaluating, and if necessary removing senior management?

The CEO is responsible for staffing Oslo Clearing.

Does the Board include independent board members?

Oslo Clearing is fully owned by Oslo Børs VPS Holding and presently the Board of Directors is composed only of senior staff from the group. Members of the board are required to act in the interest best of Oslo Clearing, in accordance with the PLCA.

Are there participants committees and are their decisions and suggestions adequately reported to the Board?

Oslo Clearing has appointed market reference groups, composed of representatives from clearing members, but also the broader financial community. The agenda is composed of regulatory issues, market practice, etc. and Oslo Clearing seeks to establish market consensus in the development of its clearing services and market practice. The Board of Directors is kept informed about the activities of the reference groups.

4. Are the CCP's objectives, those responsible for meeting them and the extent to which they have been met disclosed to owners, relevant market participants, and public authorities? What are they?

Oslo Clearing operates in accordance with a business plan, which clearly defines visions and objectives. The business plan is prepared by the management of Oslo Clearing and approved by the Board of Directors. The business plan is reviewed periodically.

The company's objectives are therefore available to the owners, through board representation and to the public authorities upon request. The business plan, however, is not publicly available. Those responsible for meeting the company's objectives and the extent to which the objectives are met are disclosed to the board of directors on regular basis.

General information about the company and its objectives and goals are available on the website of Oslo Clearing.

As a public limited company Oslo Clearing fully adheres to the reporting requirements stated for such organisations.

5. Do the governance arrangements enable identification of possible conflicts of interest? Are the categories of conflicts of interest peculiar to the CCP described and what are they? Once a conflict of interest has been identified, what kind of resolution procedure is to be applied? Has that procedure been already used, in what circumstances, and has it proven efficient?

Do the governance arrangements enable identification of possible conflicts of interest?

Existing governance arrangements can potentially create interests of conflict. The Board of Directors is required by the PLCA to act in the best interest of Oslo Clearing,

and in doing so, conflicts of interest have to be identified and resolved in order to prevent that decisions are made not in the best interest of the company.

The conditions imposed on OBVPS in connection with the merger of Oslo Børs and VPS, imposes restrictions on the flows of information, requiring guidelines for confidentiality between the individual companies in the Group. Further, agreements between the individual companies of the group must be concluded on fair and competitive terms, requiring an arms length distance.

Oslo Clearing has established internal guidelines to handle potential conflicts of interest for members of the Board of Directors, the Control Committee, the internal auditor and the employees (either on permanent or temporary contracts). Any conflict of interest must be submitted to the chairman of the Board, or to the nearest superior and to the compliance officer of Oslo Clearing.

The document is internal to Oslo Clearing.

Are the categories of conflicts of interest peculiar to the CCP described and what are they?

Conflicts of interest may arise under decision making, relative to any business line or function within Oslo Clearing, but also in relation to co-operating third parties, and prospective business opportunities. Further, being a central counterpart in the equities and derivatives markets, personnel employed by Oslo Clearing may be exposed to confidential market information.

Once a conflict of interest has been identified, what kind of resolution procedure is to be applied?

On the identification of a conflict of interest, the internal guideline requires that the person in question is barred from further participation in the actual decision making process.

To handle the issue of employees having a potential information advantage, the internal guidelines has set out procedures for employees' trading of financial instruments.

Has that procedure been already used, in what circumstances, and has it proven efficient?

The procedures embedded in the guidelines have not yet been used, except for the procedures relative to the employees' trading of financial instruments.

Assignment of assessment:

Governance arrangements are clearly specified and information about them is publicly available (Q1).

There is separate reporting line between risk management and other operations of the CCP (Q2).

The Board and management have the expertise and skills needed to achieve objectives and are fully accountable for the Oslo Clearing's performance. Objectives

include delivering sound risk management and meeting related public interest requirements (Q3).

Objectives, those responsible for meeting them, and the extent to which they have been met are disclosed to owners, participants and public authorities (Q4).

Possible conflicts of interest are clearly identified and efficient resolution procedures are applicable (Q5).

The recommendation 13 on governance is observed

14 - Transparency

A CCP should provide market participants with sufficient information for them to identify and evaluate accurately the risks and costs associated with using its services.

Observing Recommendation 14

1. Does the CCP disclose to market participants its rules, regulations, relevant laws, governance procedures, risks, steps taken to mitigate risks, the rights and obligations of participants and the costs of using the CCP services? Does the CCP make clear when and in what circumstances it assumes counterparty exposure and any restriction or limitations on its fulfilment of its obligations? Does the CCP provide information on the level of account separation it can provide thus contributing to asset segregation? Does the CCP disclose appropriate quantitative information on its clearing, netting, and settlement activities? Does the CCP provide market participants with sufficient information on default procedures and stress testing? Does the CCP disclose information on the main statistics and, where relevant, the latest audited balance sheet of the CCP? Does the CCP publicly and clearly disclose its risk exposure policy and risk management methodology as define under Recommendations 1-11? Does the CCP disclose the way in which it determines prices and therefore its exposure vis-à-vis its participants?

Does the CCP disclose to market participants its rules, regulations, relevant laws, governance procedures, risks, steps taken to mitigate risks, the rights and obligations of participants and the costs of using the CCP services?

Oslo Clearing rules and regulations, which contain information regarding rights and obligations of participants, steps taken to mitigate risk, default procedures, risks, and the cost of using the CCP services, are available on the website of Oslo Clearing.

Does the CCP make clear when and in what circumstances it assumes counterparty exposure and any restriction or limitations on its fulfilment of its obligations?

The Clearing Rules clearly state when the clearing house assumes counterparty exposure as well as restrictions and limitations on its fulfilment of obligations.

Does the CCP provide information on the level of account separation it can provide thus contributing to asset segregation?

Oslo Clearing offers a flexible account model where the market participants may set up different clearing, margin and collateral account structures, which include both the

use of segregated and non segregated account structures. The market participant will in a default situation be managed in relation to their chosen account structure. The market participant is responsible for defining an account structure that complies with their (local) regulatory and internal frameworks.

Does the CCP disclose appropriate quantitative information on its clearing, netting, and settlement activities?

The Service Description and the Clearing Rules provides market participants with a good overview of their clearing, netting and settlement activities, and the market participants may in several situations choose what alternative they want to use.

Does the CCP provide market participants with sufficient information on default procedures and stress testing?

Default procedures and stress testing methods are disclosed through this self assessment. Further, Rulebooks and information available on the website of Oslo Clearing also provide information deemed sufficient for market participants.

Does the CCP disclose information on the main statistics and, where relevant, the latest audited balance sheet of the CCP?

For the equity segment, Oslo Clearing publishes information monthly about the value and volumes cleared, but also the netting effects and settlement ratios. Individual market participant statistic is not published, but may be provided to the individual participant upon request.

Statistics for the standardised derivatives market is published by Oslo Børs on a monthly basis. Oslo Børs also provides reports statistic regarding OTC volumes and keeps market updated with derivative information through its news channels. Clearing statistics such as netting and settlement activities is not disclosed to external parties.

Oslo Clearing as a public limited company is required to send its annual reports to Brønnøysundregisteret, where market participants can request the reports.

Does the CCP publicly and clearly disclose its risk exposure policy and risk management methodology as define under Recommendations 1-11?

The Policy Credit and Market Risk is approved by the board of directors and constitutes the main framework for Risk Management. This is an internal document, which is not publicly disclosed. Elements derived from the Policy, such as the margin methodology is publicly available to market participants.

Does the CCP disclose the way in which it determines prices and therefore its exposure vis-à-vis its participants?

The risk methodology of Oslo Clearing is publicly available and provides information on how prices are set, and margin rates determined, amongst others.

2. How is information made available? Is the information accessible through the internet? In what language or languages? In what form?

Information is made available on the website of Oslo Clearing. The information is updated regularly. All information is available in English, but parts will also have a translation to Norwegian.

3. Has the CCP completed and disclosed the answers to the key questions set out in this report? Are there regular reviews to ensure the information contained in the disclosures remains current, complete and accurate?

Has the CCP completed and disclosed the answers to the key questions set out in this report?

This document is complete and answers to the key questions in this Self Assessment have been submitted to Finanstilsynet.

The ESCB-CESR Self Assessment shall be available on the website of Oslo Clearing.

Are there regular reviews to ensure the information contained in the disclosures remains current, complete and accurate?

To comply with supervisory authorities, Oslo Clearing shall review and update the ESCB-CESR Self Assessment on a yearly basis.

Assignment of assessment:

Oslo Clearing will provide market participants with sufficient information necessary to evaluate the risks and costs of using its services (Q1).

Information is easily accessible through the internet. Information is available in English, which is commonly used in financial markets as well as in Norwegian. The English version of the Clearing Rules is the legally binding version (Q2).

The answers to the key questions in this report are complete and shall be disclosed,. The accuracy and completeness of disclosures will be reviewed periodically by Oslo Clearing, and at least once a year, or when major changes occur (Q3).

The recommendation 14 on transparency is observed.

Appendix 1

Definitions

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| Banking Directive | Directive 2000/12 EC relating to the taking up and pursuit of the business of credit institutions. |
| Cash Collateral | Cash deposited in a Cash Collateral Account. |
| Cash Collateral Account | A bank account established by a Clearing Member with a Collateral Bank and pledged in favour of Oslo Clearing. |
| CCP | Central Counterparty Clearing House |
| CESR | Committee of European Securities Regulators, replaced by ESMA on 1 January 2011 |
| CET | Central European Time or Central European Summer Time when applicable. |
| Clearing | The entry by Oslo Clearing into a Trade as central counterparty responsible for settlement as provided for in the Clearing Rules. |
| Clearing Account | An account established in the Clearing System in the name of a Clearing Member, or the end client, where applicable, for the registration of Clearing Transactions. |
| Clearing Confirmation | A message sent by Oslo Clearing to a Clearing Member to confirm that Oslo Clearing has entered into a Trade as the central counterparty. |
| Clearing Day | A day on which Oslo Clearing is open for Clearing. |
| Clearing Fund | The guarantee arrangement whereby the Clearing Members establishes a Clearing Fund which can be used by Oslo Clearing to meet its losses upon an Event of Default. |
| Clearing Fund Contribution | Each Clearing Member's share of the Clearing Fund. |
| Clearing Hours | Opening hours for Oslo Clearing, as specified in the Rulebook. |
| Clearing Member | An entity that has entered into a Clearing Membership Agreement with Oslo Clearing for derivatives Clearing as a Clearing Member or GCM or for equities clearing as a DCM or GCM. |
| Clearing Membership Agreement | A membership agreement between Oslo Clearing and a Clearing Member for clearing of equity market instruments and derivatives, but also an agreement between Oslo Clearing and the end client, for the segregated model. |
| Clearing Rules | Derivatives and Equities Rulebooks. |
| Clearing Transactions | Gross Clearing Transactions and Net Clearing Transactions |

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| Clearing System | The system used by Oslo Clearing in connection with Clearing of Trades in Equity Market Instruments. |
| Code of Conduct | The European Code of Conduct for Clearing and Settlement signed by the Federation of European Securities Exchanges (FESE), the European Association of Central Counterparty Clearing Houses (EACH) and the European Central Securities Depositories Association (ECSDA) on the 7 November 2006. |
| Collateral | Cash, Financial Instruments, bank guarantees and other collateral that a Clearing Member has provided to Oslo Clearing. |
| Collateral Account | Cash Collateral Account or Securities Collateral Account. |
| Collateral Bank | A bank that has entered into an agreement with Oslo Clearing to operate Cash Collateral Accounts for Clearing Members and end clients. |
| CPSS | Committee on Payment and Settlement Systems - Bank for International Settlements (BIS) hosted committee set up as one of the permanent central bank committees reporting to the G10 Governors |
| Credit Institution | An entity licensed as a credit institution in an EEA state in accordance with legislation implementing the Banking Directive. |
| Custodian Account | An account established with a Custodian where Securities Collateral is registered. |
| Custodian | A financial institution that has entered into an agreement with Oslo Clearing to operate Custodian Accounts for Clearing Members. |
| DCM, or Direct Clearing Member | A Clearing Member conducting Clearing through Oslo Clearing of its own Trades. |
| Default | Default by a Clearing Member as defined in Section 9.1 of the Equities Rulebook and in Section 10.1 in the Derivatives Rulebook. |
| Deferred Settlement | A settlement that is deferred by Oslo Clearing in accordance with the Clearing Rules. |
| Derivatives Rulebook | Standard Terms for Derivatives with appendices as in force from time to time |
| EACH | European Association of Central Counterparty Clearing Houses |
| EEA | The European Economic Area. |
| ECB | European Central Bank |
| EMIR | European Market Infrastructure Regulation |
| Equity Market Instruments | Shares, equity certificates, depository receipts and exchange traded funds Traded on a Marketplace and approved for Clearing by Oslo |

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| | Clearing. |
| Equities Rulebook | General Terms for Clearing of Trades in Equity Markets Instruments with appendices as in force from time to time |
| End client | |
| ESCB | European System of Central Banks. |
| ESMA | European Securities and Markets Authority |
| FCA | Financial Collateral Agreement |
| Financial Instruments | The instruments defined in MiFID Annex 1 Section C. |
| Finanstilsynet | The Financial Supervisory Authority of Norway |
| Force Majeure | War, terrorism, strike, lockout and similar events that cause a suspension or breakdown of the settlement and banking systems. |
| GCM, or General Clearing Member | <u>Equity segment:</u> A Clearing Member conducting Clearing through Oslo Clearing of its own Trades and/or other Trading Members' Trades. <u>Derivatives segment:</u> A Clearing Member conducting clearing for its end clients on segregated position accounts, but with collateral on an omnibus account. |
| Gross Clearing Transaction | A Trade registered on a Clearing Account. |
| Home State | The state in which the Clearing Member has its registered office. |
| ICC | Internal Control Committee |
| Investment firm | An entity licensed as an investment firm in an EEA state in accordance with legislation implementing MiFID. |
| IOSCO | International Organisation of Securities Commissions |
| ISIN | The international securities identification number identifying the relevant Financial Instrument. |
| LCH | LCH.Clearnet Ltd. |
| LSE | London Stock Exchange |
| LSEG | London Stock Exchange Group |
| Margin Account | An account in the Clearing System on which the Margin Requirements for related Clearing Account(s) is recorded. |
| Margin Requirement | The collateral requirement calculated by Oslo Clearing, consisting of Daily Margin Requirements and Extraordinary Margin Requirements. |
| Marketplace | Oslo Børs and Oslo Axess and other marketplaces for which Oslo Clearing provides Clearing of Trades in Equity Market Instruments |

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| | and derivatives. |
| MiFID | Directive 39/2004 EC on Markets in Financial Instruments. |
| NBO | Norges Bank Settlement System |
| NCM | A Trading Member that is not a Clearing Member (Non-Clearing Member). |
| NCM Declaration | A declaration by a GCM that it will be responsible for the settlement of Trades of a NCM on a identified Marketplace, in the form specified by Appendix 9 of the Clearing Rules. |
| Net Clearing Transaction | <u>Equities Segment:</u> A net transaction between a Clearing Member and Oslo Clearing calculated for each Clearing Account per ISIN and settlement day. |
| Norges Bank | The Norwegian Central Bank. |
| OBVPS | Oslo Børs VPS Holding ASA |
| Regulatory Capital | Tier 1 plus Tier 2 capital as defined in Article 4 of Directive 2006/49/EC, cf. Article 57 (a) and (b) of Directive 2006/48/EC. |
| Relevant Authority or Competent Authority | An official authority responsible for supervising a Clearing Member, a CCP or an institution appointed to hold collateral on behalf of Oslo Clearing, in accordance with applicable laws and regulations. |
| Rulebooks | Derivatives Rulebook and Equities Rulebook |
| Securities Collateral | Financial Instruments pledged in favour of Oslo Clearing and registered on a Securities Collateral Account. |
| Securities Collateral Account | VPS Account or Custodian Account. |
| Segregated Account | A Trading Account with a related Clearing Account that is identified in the Clearing System as a Segregated Account. |
| Material Default | A Default by a Clearing Member as defined in Section 9.1 of the Equities Rulebook, and Section 10. in the Derivatives Rulebook. |
| Settlement Agent | A participant in VPO that acts as agent for a Clearing Member with respect to settlements in VPO. |
| STA | Act on Securities Trading 29.06.2007 No. 75 (Securities Trading Act) |
| Trade | An agreement for the purchase and sale of Equity Market Instruments or derivatives. |
| Trading Account | An account in the Clearing System established in the name of a Clearing Member, for the registration of Trades. |
| Trade Feed | Electronic feed from a Marketplace with information on Trades. |

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| Trading Member | A member of a Marketplace. |
| VPO, or VPO NOK | The Norwegian multilateral central securities settlement system where VPS organises securities delivery and Norges Bank organises cash payments. |
| VPO LOM | Liquidity Optimization Account in VPO, held by a credit institution or a CCP |
| VPO Participant | An entity that has entered into an agreement with VPS to participate in VPO. |
| VPO Rules | The rules for VPO issued by VPS. |
| VPS | Verdipapirsentralen ASA - the Norwegian Central Securities Depository. |

Appendix 2

| Investor | Number of shares | % of top 20 | % of total | Type | Country |
|-------------------------------------|-------------------|-------------|---------------|-------|---------|
| VITAL FORSIKRING ASA | 8,522,045 | 23.38% | 19.82% | Comp. | NOR |
| KOMMUNAL LANDSPENSJONSKASSE | 4,300,200 | 11.80% | 10.00% | Comp. | NOR |
| PARETO AS | 3,662,230 | 10.05% | 8.52% | Comp. | NOR |
| ORKLA ASA | 3,510,700 | 9.63% | 8.16% | Comp. | NOR |
| NBI HF ICELAND | 2,812,930 | 7.72% | 6.54% | Nom. | ISL |
| ARENDALS FOSSEKOMPANI ASA | 1,996,000 | 5.48% | 4.64% | Comp. | NOR |
| NORSK HYDROS PENSJONSKASSE | 1,900,000 | 5.21% | 4.42% | Comp. | NOR |
| GOLDMAN SACHS INT. - EQUITY - | 1,376,597 | 3.78% | 3.20% | Nom. | GBR |
| STATE STREET BANK AND TRUST CO. | 1,074,835 | 2.95% | 2.50% | Nom. | USA |
| MSF-MUTUAL FINANCIAL SERVI FD | 911,000 | 2.50% | 2.12% | Comp. | USA |
| JPMORGAN CHASE BANK | 790,341 | 2.17% | 1.84% | Nom. | GBR |
| UBS SECURITIES LLC | 762,088 | 2.09% | 1.77% | Nom. | USA |
| MUST INVEST AS | 708,520 | 1.94% | 1.65% | Comp. | NOR |
| SUNDT AS | 657,500 | 1.80% | 1.53% | Comp. | NOR |
| CITIBANK N.A. NEW YORK BRANCH | 652,042 | 1.79% | 1.52% | Nom. | USA |
| JPMORGAN CHASE BANK | 622,000 | 1.71% | 1.45% | Nom. | LUX |
| MORGAN STANLEY & CO INC. NEW YORK | 593,827 | 1.63% | 1.38% | Nom. | USA |
| MORGAN STANLEY & CO INTERNAT. PLC | 575,900 | 1.58% | 1.34% | Nom. | GBR |
| CLEARSTREAM BANKING S.A. | 569,800 | 1.56% | 1.32% | Nom. | LUX |
| STATE STREET BANK AND TRUST CO. | 447,895 | 1.23% | 1.04% | Nom. | USA |
| Total number owned by top 20 | 36,446,450 | 100% | 84.75% | | |

last updated: 27.06.2011