

## **SETTLEMENT OF CLEARING TRANSACTIONS IN VPO**

### **1 Introduction**

- 1.1 This supplement is Appendix 7 of the Clearing Rules, and forms an integral part of the Clearing Rules, with provisions for settlement of Clearing Transactions in VPO.
- 1.2 Settlement in VPO is also subject to the VPO Rules being applicable to Oslo Clearing, the Clearing Members and Settlement Agents as participants in VPO.
- 1.3 This Appendix may be amended with minimum three (3) Clearing Days' notice if there are amendments to the VPO Rules or new interpretations of the VPO Rules that in the reasonable opinion of Oslo Clearing necessitates such amendments of this Appendix 7 or other imperative reason necessitates such amendment, and otherwise in accordance with the Clearing Rules Section 1.5.
- 1.4 Net Clearing Transactions registered in VPO are called VPO Settlement Transactions.

### **2 Clearing Member requirements**

- 2.1 As a requirement for Clearing Membership and in order to carry out settlement in VPO, the Clearing Member must at all time be a participant in VPO or use a Settlement Agent.
- 2.2 A Clearing Member that is a participant in VPO must sign the Registration Mandate in Schedule A and furnish it to Oslo Clearing.
- 2.3 Before a Clearing Member can be represented in VPO by a Settlement Agent, the Settlement Agent must sign the Settlement Agent Registration Mandate in Schedule B and furnish it to Oslo Clearing.
- 2.4 The Registration Mandate may be withdrawn as set out in Schedule A. The Settlement Agent Registration Mandate may be withdrawn as set out in Schedule B. Oslo Clearing will notify the withdrawal to VPS when all VPO Settlement Transactions registered by a Clearing Member or the applicable Settlement Agent has been settled in VPO or been cancelled as set out in this Appendix, whereupon it will take effect.

### **3 The Clearing Member's liability for settlement**

- 3.1 The Clearing Member is fully responsible to Oslo Clearing for timely settlement of all Clearing Transactions registered on the Clearing Members' Clearing Account(s) and the corresponding VPO Settlement Transactions, irrespective of having appointed a Settlement Agent to act on his behalf with respect to settlement in VPO.

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- 3.2 The Settlement Agent is acting as an agent only, and does not assume legal responsibility to Oslo Clearing for settlement of the VPO Settlement Transactions that the Settlement Agent has registered on behalf of the Clearing Member.
- 3.3 If a Clearing Member's Settlement Agent fails to provide sufficient cash or Equity Market Instruments to settle the Clearing Member's settlement obligations on the Settlement Date, the Clearing Member may request Oslo Clearing to cancel all VPO Settlement Transactions that may be cancelled in VPO against the relevant Settlement Agent, to make necessary amendments in the Clearing System and register corresponding VPO Settlement Transactions with the Clearing Member as counterparty or an alternative Settlement Agent having duly signed Schedule B on behalf of the Clearing Member. If the request is met, the Clearing Member shall pay Oslo Clearing's costs, as well as to provide such collateral Oslo Clearing deems necessary to cover for any increase, whether temporary or not, of risk incurred by Oslo Clearing in connection with such measures. Oslo Clearing shall not unreasonably refuse to comply with such request.

### 4 Registration of Net Clearing Transactions in VPO

#### 4.1 Registration by Oslo Clearing

- 4.1.1 Oslo Clearing shall, if the Clearing Member has so authorised in Schedule A or Schedule B register the Net Clearing Transactions in VPO on behalf of both Oslo Clearing and the Clearing Member.
- 4.1.2 If the Clearing Member has an objection to a VPO Settlement Transaction, the Clearing Member must notify Oslo Clearing by fax or e-mail within the time limit stipulated in Appendix 4.
- 4.1.3 If no objection is notified within the required time limit, the Clearing Member and any Clearing Member on which behalf the Settlement Agent acts, loses any right to object with respect to a registration error in VPO.
- 4.1.4 If an objection is notified within the required time limit, Oslo Clearing will investigate the matter as quickly as possible, and correct any registration error in VPO that is identified.
- 4.1.5 To the extent it is necessary to register in VPO a new VPO Settlement Transaction due to a buy-in, a Corporate Action in Deferred Settlements or any other reason, Oslo Clearing shall register a matching transaction in VPO on behalf of the Clearing Member.

## 4.2 Registration by both Oslo Clearing and Clearing Member

- 4.2.1 If Oslo Clearing has not been authorised to register VPO Settlement Transactions on behalf of both parties as described in Section 4.1, Oslo Clearing shall register a VPO Settlement Transaction on its own behalf only, while the Clearing Member must register a VPO Settlement Transaction on its own behalf, both within the time limits stipulated in Appendix 4.
- 4.2.2 If the Clearing Member has an objection to a VPO Settlement Transaction registered by Oslo Clearing pursuant to Section 4.2.1, the member must notify Oslo Clearing by fax or e-mail within the time limit stipulated in Appendix 4.
- 4.2.3 If no objection is notified within the required time limit, the Clearing Member and any Clearing Member on which behalf the Settlement Agent acts, loses the right to object to a registration error in VPO, and the Clearing Member is, notwithstanding that there may be an error in the registration, obliged to register a matching VPO Settlement Transaction.
- 4.2.4 If an objection is notified within the required time limit, Oslo Clearing shall investigate the matter as soon as possible, and correct any error in Oslo Clearing's registration in VPO that is identified.
- 4.2.5 To the extent it is necessary to register in VPO a new VPO Settlement Transaction due to a buy-in, a Corporate Actions in Deferred Settlements or any other reason, the Clearing Member shall immediately register a matching transaction in VPO.

## 4.3 Cancellations and deferrals in VPO and adjustments in the Clearing System

- 4.3.1 Cancellation of a VPO Settlement Transaction shall be made exclusively by Oslo Clearing. The Clearing Member shall not, and is responsible for that its Settlement Agent does not, cancel any VPO Settlement Transaction.
- 4.3.2 In the event that the Clearing Member should fail to deliver the necessary Equity Market Instruments or cash at Settlement Date, Oslo Clearing may cancel or defer such VPO Settlement Transactions.
- 4.3.3 A cancellation of a VPO Settlement Transaction will entail the cancellation or amendment of the corresponding Net Clearing Transaction in the Clearing Accounts.
- 4.3.4 A Net Clearing Transaction for which the corresponding VPO Settlement Transaction has been subject to Partial Settlement will be adjusted accordingly. The same applies to Net Clearing Transactions being subject to Deferred Settlement with respect to non-defaulting Clearing Members.

## **5 General on settlement in VPO**

- 5.1 Oslo Clearing and the Clearing Member shall, unless otherwise stated in the Clearing Rules, settle the VPO Settlement Transaction on the applicable terms and at the date specified therein (the "Settlement Date").

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5.2 Settlement shall take place in accordance with the VPO Rules supplemented with this Appendix 7.

### **6 Failed Delivery– Partial Settlement and Deferred Settlement**

#### **6.1 Failed Delivery**

6.1.1 Failed Delivery exists if Oslo Clearing does not on the Settlement Date receive full delivery in VPO of all Equity Market Instruments specified in the VPO Settlement Transactions where Oslo Clearing is buyer.

6.1.2 The defaulting Clearing Member will be imposed a penalty fee for Failed Delivery, as stated in Appendix 5.

#### **6.2 Partial Settlement**

6.2.1 Oslo Clearing may carry out Partial Settlement with one or more receiving Clearing Members.

6.2.2 Partial Settlement may also take place between the delivering Clearing Member and Oslo Clearing.

6.2.3 VPO will determine which VPO Settlement Transactions that will be subject to Partial Settlement, and Oslo Clearing and the relevant receiving Clearing Members will be notified thereof immediately after settlement.

6.2.4 Partial Settlement will be regarded as a partial settlement of the original, matched VPO Settlement Transactions, which will be adjusted accordingly, and will therefore not require new registration in VPO.

#### **6.3 Deferred Settlement**

6.3.1 The unsettled (parts of) VPO Settlement Transaction will automatically be deferred to the next VPO settlement until full delivery is made or is handled according to Section 7 to 9 below.

6.3.2 Oslo Clearing's settlement to the receiving Clearing Member may be deferred until delivery is made in accordance with the buy-in procedure in Section 7 or, if buy-in is unsuccessful, until the procedure in Section 8 is completed.

### **7 Buy-In transactions**

#### **7.1 Buy-in initiated by the receiving Clearing Member**

7.1.1 If a receiving Clearing Member has not received full delivery of a VPO Settlement Transaction within the seventh (7th) Clearing Day after the initial Settlement Date, it may at any time thereafter issue a notification to Oslo Clearing to initiate buy-in in the form attached to this Appendix as Schedule C (the "Request to initiate buy-in").

7.1.2 The Request to initiate buy-in will have effect from the date of Oslo Clearing's receipt provided that it is received within the cut-off time set out in Appendix 4.

7.1.3 Upon receipt of the Request to initiate buy-in, Oslo Clearing will issue a Buy-In Notification to the defaulting Clearing Member(s) with the oldest Failed

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Delivery(ies) relating to the same underlying Financial Instrument, within the time set out in Appendix 4.

7.1.4 Oslo Clearing will on the Buy-In Notification date cancel the VPO Settlement Transactions affected by the buy-in and reregister the corresponding VPO Settlement Transactions for settlement on a settlement account in VPO dedicated for settlement of buy-in transactions. The affected Clearing Members shall immediately register the applicable transactions in VPO.

7.1.5 Unless the Failed Delivery has been delivered in full within the third (3rd) Clearing Day after the Buy-In Notification date, Oslo Clearing will cancel the unsettled parts of the VPO Settlement Transaction between Oslo Clearing and the defaulting Clearing Member and execute a buy-in transaction for the account and risk of the defaulting Clearing Member (“Buy-In Execution”).

7.1.6 If the Buy-In Execution in whole or in part is unsuccessful on the initial Buy-In Execution date, additional attempts will be made on the first until the fourth consecutive Clearing Days following the initial Buy-In Execution date.

7.1.7 If Buy-In Execution in whole or in part is unsuccessful at the expiry of the fourth Clearing Day following the initial Buy-In Execution date, the procedure specified in Section 8 shall apply for the unsettled parts of the VPO Settlement Transaction.

7.1.8 Settlement to the receiving Clearing Member shall upon Buy-In Execution take place within the fifth (5th) Clearing Day after the Buy-In Execution has taken place in accordance with the procedures set out in Section 7.1, 7.2 or 7.3. If settlement has not been made within the fifth (5th) Clearing Day after Buy-In Execution took place, Oslo Clearing will terminate the Buy-In Execution transaction, unless Oslo Clearing decides otherwise, and the procedure specified in Section 8 shall apply for the unsettled parts of the VPO Settlement Transaction. If the Buy-In Execution is terminated, the day that the Buy-In Execution transaction was made shall be regarded as the last Buy-In Execution date as referred to in Section 8.

### 7.2 Buy-in initiated by Oslo Clearing

7.2.1 Oslo Clearing may issue a Buy-In Notification to a defaulting Clearing Member on or after the 30 (thirtieth) Clearing Day after the initial Settlement Date to the extent a VPO Settlement Transaction has not been settled or been substituted as specified in Section 8, and designate and notify a receiving Clearing Member as recipient of the buy-in. The procedure in Section 7.1.4 to 7.1.7 shall apply accordingly.

### 7.3 Buy-in upon extraordinary market conditions etc

7.3.1 Oslo Clearing may upon extraordinary market conditions or events, or if other imperative reason requires it, hereunder the Clearing Member’s failure in registering a matching VPO Settlement Transaction, decide to initiate the procedure in Section 7.2 prior to the 30 (thirtieth) Clearing Day after the initial Settlement Date, on any day following the initial Settlement Date.

### 7.4 Additional provisions upon buy-in

7.4.1 Buy-in Execution may take place for the whole or parts of a VPO Settlement Transaction of a defaulting Clearing Member. -If Buy-In Execution takes place for

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parts of an unsettled VPO Settlement Transaction, the original VPO Settlement Transaction will be cancelled and for the remaining parts a new adjusted VPO Settlement Transaction will be registered in VPO. The Clearing Member shall immediately register a matching transaction in VPO.

7.4.2 Buy-In Execution shall be carried out at a fair market price.

~~7.4.3 Settlement upon Buy In Execution shall take place within the third (3rd) Clearing Day after the Buy In Execution procedures set out in Section 7.1 or 7.2 have been completed.~~

~~7.4.47.4.3~~ Upon issuance of Buy-In Notification the defaulting Clearing Member shall pay the administration fee as set out in Appendix 5.

~~7.4.57.4.4~~ The Upon the successful execution and delivery of a buy-in transaction to the receiving Clearing Member, the defaulting Clearing Member shall compensate Oslo Clearing the difference between the buy-in transaction price and the original trade price of the defaulting Clearing Member's Net Clearing Transaction, if the buy-in transaction price is higher than the original trade price, multiplied with the number of unsettled Equity Market Instruments. The defaulting Clearing Member will in addition be liable to pay Oslo Clearing's charges, commissions and other costs related to the buy-in transaction.

~~7.4.67.4.5~~ Section 9.2 of the Clearing Rules applies in all cases of Material Default, and Oslo Clearing may accordingly carry out buy-in transactions earlier than stated above.

## 8 Cash compensation

8.1 If a Buy-In Execution as set out in Section 7 in whole or in part is unsuccessful, Oslo Clearing shall calculate a cash compensation to be paid by the defaulting Clearing Member to Oslo Clearing.

8.2 The cash compensation price shall be the highest of the original trade price of the defaulting Clearing Member, the original trade price of the receiving Clearing Member and the close price of the Equity Market Instrument on the Marketplace on the last Buy-in Execution date, or if no close price is available, the last quoted ask price (the "Cash Compensation Price").

8.3 The defaulting Clearing Member shall compensate Oslo Clearing the difference between Cash Compensation Price, and the original trade price of the Net Clearing Transaction of the defaulting Clearing Member, if such price is less than the Cash Compensation Price, multiplied with the number of unsettled Equity Market Instruments.

8.4 The cash compensation, if any, shall be calculated and notified the defaulting Clearing Member on the first (1st) Clearing Day after the last Buy-in Execution date (the "Cash Compensation Notification").

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- 8.5 The receiving Clearing Member will be notified the first (1st) Clearing Day after the last Buy-in Execution date that Oslo Clearing's delivery of the Equity Market Instruments of the relevant Net Clearing Transaction will be substituted with a cash compensation, if any (the "Substitution Notification").
- 8.6 The receiving Clearing Member shall be compensated the difference between the close price of the Equity Market Instrument on the Marketplace on the last Buy-in Execution date, or if no close price is available, the last quoted ask price (the "Substitution Price"), and the original trade price of the Net Clearing Transaction of the receiving Clearing Member, if such price is less than the Substitution Price, multiplied with the number of unsettled Equity Market Instruments ("Substitution Compensation").
- 8.7 Any amounts shall be settled on the second (2nd) Clearing Day after the date of the Cash Compensation Notification or the Substitution Notification.
- 8.8 All amounts will be adjusted for the financial effects of any Corporate Actions as specified in Section 9 below.
- 8.9 Payment of the Substitution Compensation, or if the compensation amount is zero, the issuing of the Substitution Notification, releases Oslo Clearing from all further obligations and liability to the receiving Clearing Member with regard to the relevant Net Clearing Transaction.
- 8.10 Whether or not the defaulting Clearing Member is liable to pay any cash compensation as specified in Section 8.2, the defaulting Clearing Member is still liable to pay all costs incurred by Oslo Clearing caused by the Failed Delivery.

### 9 Corporate Actions in Deferred Settlements

- 9.1 Oslo Clearing shall not process or have any responsibility in connection with any Corporate Actions in Equity Market Instruments, unless there is a Deferred Settlement, and if so, the matter shall be handled in accordance with this Section 9.
- 9.2 The defaulting Clearing Member shall upon a Failed Delivery deferred past Record Date or as provided for in Oslo Clearing's Procedure for Corporate Actions (the "Procedures"), deliver to Oslo Clearing the Equity Market Instruments of a Net Clearing Transaction inclusive of all dividend distribution rights or other rights conferred in a Corporate Action, whether or not the conferral of rights takes place prior to or subsequent to the Record Date, including, but not limited to distribution of preferential rights or other Financial Instruments, or entitlements arising out of elective Corporate Actions (the "Corporate Action entitlements") lost due to the Failed Delivery or, at Oslo Clearing's decision, pay such compensation amount as specified in Section 9.5 below.
- 9.3 Detailed provisions as to the treatment of Corporate Actions shall be handled in accordance with the Procedures.

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- 9.4 Oslo Clearing will not process any Corporate Actions consisting of intangible rights, e.g. right to vote.
- 9.5 In case of failure to deliver Corporate Action entitlements to Oslo Clearing, Oslo Clearing may decide that the defaulting Clearing Member shall pay a compensation amount to Oslo Clearing, and that Oslo Clearing may pay a cash compensation to the receiving Clearing Member(s). The compensation amount shall be calculated by Oslo Clearing in accordance with Oslo Clearing's reasonable evaluation of the market value of the Corporate Action entitlement and be notified to the defaulting Clearing Member(s) and the receiving Clearing Member(s). All intangible entitlements attached to an Equity Market Instrument such as voting rights, shall be deemed to have no commercial value. Dividend distributions shall be calculated gross without tax deductions.
- 9.6 Settlement for any cash compensation shall take place on the date specified by Oslo Clearing.
- 9.7 Upon receipt of a cash compensation as set out in Section 9.5, Oslo Clearing shall pay a corresponding cash settlement to the receiving Clearing Member(s).
- 9.8 Delivery obligations relating to Corporate Actions entitlements and compensation claims shall be registered on the Clearing Account of the involved Clearing Members, and be included in the Margin Requirements.
- 9.9 The defaulting Clearing Member shall be liable for all costs and damages incurred by Oslo Clearing as a result of the measures mentioned above, including payment of cash compensation to the receiving Clearing Member(s).
- 9.10 Oslo Clearing will do what it reasonably can, to carry out the measures set out in this Section 9 and the Procedures, however, Oslo Clearing's liability towards the receiving Clearing Members is limited to the defaulting Clearing Members' liability towards Oslo Clearing as set out in the Clearing Rules, including the Procedures.
- 9.11 Oslo Clearing shall in no event have any liability with regard to the preservation or enforcement of Corporate Actions on any Equity Market Instruments received from a defaulting Clearing Member in the event the receiving Clearing Member defaults upon Oslo Clearing's attempt to perform delivery of such instruments to it.
- 9.12 Delivery of the Corporate Action entitlements or the payment of cash compensation to the receiving Clearing Member(s) in accordance with the rules above releases Oslo Clearing from all further obligations and liability to the receiving Clearing Members with regard to the relevant Failed Delivery, and any related Corporate Action entitlements.

## 10 Failed payments to Oslo Clearing - Deferred Settlement

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- 10.1 Oslo Clearing may, in the event that a Clearing Member fails to meet its payment obligations as specified in a VPO Settlement Transaction, defer cash settlement with other Clearing Members to the next VPO settlement. Settlements may be deferred three (3) Clearing Days after initial Settlement Date.
- 10.2 The defaulting Clearing Member will be imposed a penalty fee for failed payment, as stated in Appendix 5. Failed payment constitutes a Material Default whereby Oslo Clearing may invoke measures upon Material Default.

### **11 Liability for the defaulting Clearing Member**

- 11.1 The defaulting Clearing Member shall, whether or not the default is caused by a Settlement Agent acting on the Clearing Member's behalf, be liable for all damages and costs incurred by Oslo Clearing as a result of a Failed Delivery as set out above, as well as for the payment of such penalty fees as specified in Appendix 5.