INSTRUCTIONS NO. 2

SETTLEMENT OF MOVEMENTS

SUMMARY

I. GENERAL PRINCIPLES

1- Securities

Midclear records transactions in securities previously admitted in its operations. These securities are processed by Midclear :

- either systematically, if the securities are quoted on the regulated financial markets;
- or by decision of Midclear's Board of Directors.

Operations in other securities are not processed by Midclear.

2- Types of transaction

Transactions processed by Midclear are as follows:

Type of Transaction	Code	Comments
DEPOSIT	100	Book entry recording the deposit of physical securities at Midclear Securities only recorded
WITHDRAWAL	200	Book entry recording the withdrawal of physical securities at Midclear Securities only recorded
TRANSFER	300	Book entry recording the transfer of securities of one member to himself (in another type of account) or to another member Securities only recorded
MIDCLEAR ENTRIES	350	Book entries initiated by Midclear upon admission of a security and to regulate the assets of members following a securities operation
DELIVERY VERSUS PAYMENT	400	Exceptional delivery versus payment transaction initiated by Midclear
REGULATED FINANCIAL MARKET TRADE	500	Delivery versus payment transaction originating in the regulated financial market

BLOCK TRADE	600	Delivery versus payment transaction originating in the regulated financial market
FORCED BUY IN	700	Exceptional delivery versus payment transaction initiated by the regulated financial markets in order to resolve a suspension
FORCED SELL OUT	800	Exceptional delivery versus payment transaction initiated by the regulated financial markets in order to resolve a suspension

3- Clearing currencies

The only currencies accepted at the start of an operation are the Lebanese pound and the U.S. dollar.

4- Securities and cash settlement

4.1. Principles
All transactions sent to Midclear for settlement purposes are, by definition, irrevocable. Delivery versus payment transactions originating in the regulated financial market are settled in three business days after their trading. The settlement of a delivery versus payment transaction necessitates the simultaneous allocation of cash or securities. Transactions in securities with no offsetting cash involvement are settled according to the transaction type within a maximum of 30 calendar days.

Midclear members are required to ensure cash and securities coverage before initiating their transactions. Failure to provide sufficient cash or securities will result, initially, in a suspension of the related transaction, followed by rejection after a reprocessing period.

Midclear does not execute partial delivery of securities; any suspension or rejection of an operation caused by a cash or securities default is upheld for the entire transaction.

4.2. Settlement of securities
Midclear settles the operations of any establishment delivering a security once the establishment has sufficient provisions. It suspends or rejects any transactions that might leave a securities balance in debit.

- Time limits for settlement operations

The theoretical settlement date of a transaction varies, depending on the type of operation:

Transaction type	Code	Theoretical Settlement Date	Comments
DEPOSIT	100	T	The transaction is, in principle, recorded on the day Midclear receives the securities
WITHDRAWAL	200	T	The transaction is recorded on the day Midclear receives the withdrawal request
TRANSFER	300	T to T+30	The transaction is recorded between 0 and 30 calendar days after the date the transfer is issued, according to the value date specified by the issuing member
MIDCLEAR ENTRIES	350	T	The transaction is recorded on the value date of the book entry
DELIVERY VERSUS PAYMENT	400	T+3	The transaction is recorded three business days after the trade
REGULATED FINANCIAL MARKET TRADE	500	T+3	The transaction is recorded three business days after the trade.
BLOCK TRADE	600	T+3	The transaction is recorded three business days after the trade.
FORCED BUY IN	700	T+3	The transaction is recorded three business days after the trade.
FORCED SELL OUT	800	T+3	The transaction is recorded three business days after the trade.

N.B. 1: As regards withdrawals, physical securities are available at Midclear the day after the relevant withdrawals are posted on its books.

N.B. 2: "T" denotes the day of execution of the order on the regulated financial market or the date of receipt of the relevant instruction sent by the member.

- Types of account

The assets of a member on Midclear's books are broken down by category of assets. The verification of provisions therefore consists of checking whether a delivering member has sufficient securities provisions in the category of assets in question.

Account Type	Resident Code	Comments
Own assets	10	Stock of securities corresponding to the personal assets of the member

Own assets	12	Securities blocked to offset operations in securities
Customer assets	20	Stock of securities corresponding to the assets which the member holds on behalf of customers
Assets held pending trade	30	Stock of securities corresponding to the assets which the member-broker holds temporarily on behalf of banks using the member as an intermediary to gain access to the market
Liquidity contract	40	Securities held in stock by brokers to cover liquidity needs
Assets held pending trade	50	Used within the framework of operations in securities
Securities held pending accounting entry	91	Transactions initiated by Midclear only

4.3. Cash settlement

4.3.1. Centralization of clearings at the Bank of Lebanon

All cash settlements are carried out on the books of the Bank of Lebanon.

Each member is required to open a current account in each currency, specifically designated for recording operations in securities.

The opening of a cash account gives the member the status of a cash clearer. When a member does not wish or is not in a position to open an account at the Bank of Lebanon, he may designate another member on whose account his settlements are to be posted; he is then called a member "cleared for."

To facilitate the start of operations and for security reasons, Midclear offers its members the possibility of using Midyear's own clearings account. The operating procedures relating to this account and information on costs for this service are available from Midclear on request.

4.3.2. Calculation of the cash balance of each member

A member's cash balance is obtained by accumulating all operations settled in one bookkeeping day. It is updated as settlements/deliveries are processed. The Bank of Lebanon is notified of final cash balances on the completion of settlement/delivery processing, for irrevocable recording.

4.3.3. Checking cash provisions

Midclear settles delivery versus payment operations in exchange for payment by an establishment, as long as the latter's payable cash balance does not exceed its balance available at the Bank of Lebanon.

In application of the proxy given to it, the current accounts department at the Bank of Lebanon daily transmits information directly to Midclear on each member's available balances.

5- Suspensions

Operations that cannot be settled because of insufficient provisions in cash or securities are suspended and automatically reprocessed over a given period. At the end of the maximum period allowed for reprocessing, the transactions in question are rejected. Responsibility for resolving suspended market operations is assumed by the market authority in question.

The duration of the reprocessing period depends on the type of operation involved.

Maximum Time Allowed for Reprocessing in Business Days	Corresponding Types of Operation
0	200, 300, 350
1	600, 700, 800
20	400, 500

6- Operations in securities

Operations in securities are processed by Midclear and will be subject to subsequent instructions. The general principle is that transactions relating to the execution of an operation in securities are irrevocable and have priority over other transactions to be recorded on any given accounting day.

II. DATA SHARING

1- Instructions from members

Midclear is responsible for executing written instructions relating to deposit, withdrawal, and transfer operations initiated directly by its members.

The following forms are at the disposal of members at Midclear counters:

- Deposit advice (reference no. PCM100)
- Consolidated deposits slip (reference no. PCM200)
- Holders detailed slip
- Transfer order (reference no. PCM300)
- Consolidated transfers slip (reference no. PCM400)
- Holders detailed slip
- Withdrawal slip (reference no. PCM500)

Procedures for using these forms are described in Instruction No.1.

2- Accounting day results

On the morning following each accounting day, Midclear provides its members with a statement of any account affected by a transaction (see Appendix I), as well as copy of the accounting document related to any deposit, withdrawal, or transfer posted on its books the previous day.

III. INFORMATION

1- At Midclear S.A.L.   Operations Department
                              Tel : 961 1 749594
                                     961 1 743471 / 2

2- At the Banque du Liban   Current Accounts Department
                              Tel : 961 1 750000