

INSTRUCTIONS No 3

IDENTIFICATION OF ACCOUNTS AT MIDCLEAR

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I . INTRODUCTION

For the purposes of Midclear's activities as a depository and in order to set up an automated system in Lebanon for the settlement of operations executed on a regulated financial market, there is a need to establish accounts with three identifying components:

- a securities code : alphanumeric code (9 characters maximum) identifying the security for which the account is opened;
- a member code : numeric code (4 characters maximum) identifying the account operator;
- an account type code : numeric code (2 characters maximum) used to distinguish among different accounts opened for the same member in respect of a given security.

II . DESCRIPTION OF ACCOUNTS

The codes assigned by Midclear for securities admitted to its operations are listed in *Addendum 1*.

The member codes to be used in dealing with Midclear are listed in *Addendum 2*.

The various account types available at Midclear have been grouped into three main categories:

- Accounts of members whose assets represent the counterpart to actual account entries made on their own books in the names of holders;
- Accounts of members solely for recording securities, pending the latter's posting to or removal from an account; and
- Securities accounts solely for Midclear transactions.

1. Accounts of members whose assets represent the counterpart to actual account entries made on their own books in the names of holders

For securities admitted to Midclear operations, these accounts show:

- the member's own assets (account type code 10);
- ordinary assets held on behalf of customers (account type code 20); and
- pledged assets held on behalf of customers (account type code 21).

2. Accounts of members solely for recording securities, pending the latter's posting to or removal from an account

Accounts pending trade (account type code 30)

Accounts of this type are available to financial intermediaries authorized to trade on the regulated financial market. These are transit accounts used at Midclear to distinguish between securities transiting through brokers in the latter's capacity as trade intermediaries and securities held by them on behalf of their own customers or in their own names.

Liquidity contract accounts (account type code 40)

Accounts of this type are available to financial intermediaries authorized to trade on regulated financial markets. They are used at Midclear specifically for securities held by brokers in the context of agreements concluded with issuing companies, with a view to ensuring market liquidity.

Accounts pending operations in securities (account type code 50)

These accounts are opened on the occasion of operations in securities (attribution, subscription, exchange, etc.) in the name of the centralizing agency or Midclear, as chosen by the issuing company, for recording securities that are the subject of an operation. Accordingly, for the creation of new securities, the account of the centralizing agent is credited with the total quantity of securities created, and the issues account (account type code 90) is debited with the same quantity, so that the centralizing agency can then distribute the securities to eligible members by transfer order to the debit of this account.

3. Securities accounts solely for Midclear transactions

All of the accounts on which Midclear performs transactions are maintained under Midclear's member code (9999).

Issues account (account type code 90)

This account is solely for transactions by Midclear, upon written instructions from the issuer or its agent.

The balance of this account, which is by nature in debit and maintained for all securities admitted to Midclear operations, at all times represents the total amount of the securities issued and is equal to the total of member credit balances. It is debited, at the time of the admission of a security or of a capital increase, by the credit of a **securities pending posting** account or a **securities for distribution** account. Conversely, it is credited, at the time of a capital reduction or of an amortization of obligations, by the debit of an **outgoing securities** account. These transactions are effected at the initiative of Midclear, on the basis of supporting documentation provided by the issuing company.

Securities pending posting account (account type code 91)

This account is solely for transactions by Midclear, upon written instructions from the issuer or its agent.

During deposit operations, this account has a credit balance in the amount of the total value of physical securities not yet deposited with Midclear because:

- either the holder maintains possession of them;
- or the holder has deposited them with an authorized intermediary, but the latter has not yet handed them over to Midclear.

This account is eventually debited with any physical deposit of securities to Midclear.