

INSTRUCTIONS No 1

The purpose of these instructions is to govern relations between Midclear and its Members

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I. OFFICES, MEMBERS, SECURITIES

1 - MIDCLEAR OFFICE HOURS

Midclear offices are open for member transactions daily from 8:30 a.m. to 2:00 p.m. and on Fridays from 8:30 a.m. to 12:00 p.m., except Saturdays and official holidays.

2 - LIST OF MEMBERS

Midclear will periodically publish a directory indicating the code number assigned to each of its members. The document will include an alphabetical and a numerical listing.

3 - LIST OF SECURITIES

Definition: The term security refers to a group of negotiable or potentially negotiable instruments of the same type issued by a single issuer, which, in and of themselves, confer identical rights on the holders thereof; all rights deriving from such a group of instruments also constitute a security.

Midclear will periodically publish a directory indicating the code number assigned to each security accepted in its operations. The document will include an alphabetical and a numerical listing.

4 - LIST OF ACCOUNTING FORMS

To facilitate operations, specific forms are provided to members (Appendix I).

Deposit Advice (Ref. No. PCM100)
Summary Deposit Record (Ref. No. PCM200)
Detailed Securities Holder Record

Transfer Order (Ref. No. PCM300)
Summary Transfer Record (Ref. No. PCM400)
Detailed Securities Holder Record

Withdrawal Request (Ref. No. PCM500)
Numerical Withdrawal Record

The above forms may be requested at Midclear offices. Their use is described below.

5 - MEMBER INFORMATION

Midclear will inform its members via numbered notices or instructions of any modifications made in these instructions or any changes which may arise in the course of operations, as well as of the specific procedures to be followed in certain operations.

II. DEPOSITS OF SECURITIES

Midclear receives deposits of securities from its member institutions and posts them to their respective current accounts. Said institutions either hold the securities for their own account or have received them from the owners thereof for safekeeping purposes.

1 - FORMS

Deposits of registered or bearer securities, grouped as indicated above, must be accompanied by a numbered deposit advice (Midclear Form PCM100).

The deposit advice is completed by the member in duplicate.

A sample deposit advice is shown in Appendix 2.

The summary deposit record is a printed form (Midclear Form PCM200) listing all deposits made per delivery.

A sample summary deposit record is shown in Appendix 3.

The detailed securities holder record is a form used for registered securities in the following cases:

- a- several deposits
- b- securities of the same type
- c- same member
- d- same type of account
- e- different securities holder numbers

Two sample records are shown in Appendix 3.

These records are completed by the member in duplicate.

Special care should be taken by the originator in completing the various forms. Numbers should be entered clearly (member code, value and number of securities). The forms must be completed with a printer or a ballpoint pen. Pencils may not be used.

Failure to follow these instructions may lead to rejection of the forms.

All forms must be dated by the member and bear its stamp and authorized signatures.

2 - PROCEDURES

Securities are delivered in the following manner:

The courier goes to the Midclear office and delivers batches of securities together with the summary deposit record or the detailed securities holder record (in duplicate) and the deposit advice (in duplicate).

After the forms are checked, the clerk stamps one copy of the summary (or detailed) record and gives it to the courier as a provisional receipt.

On the day of the deposit, and after the securities have been checked, the member's current account for the security in question is credited (cf. Chapter V, Midclear Securities Accounting).

On the following day, after the securities have been checked, the second copy of each deposit advice (together with notices of rejection, if any) is stamped and held available for the member.

3 - DELIVERY

Securities may be delivered only by a Midclear member.

Delivery takes place at Midclear offices, which will first verify the identity of the member's agent.

Deposited securities are classified by value and customer code, in strict numerical order.

4 - REGULARITY OF DELIVERIES

Deposited securities must be unchallenged and yield current interest in the case of bearer securities, i.e., with all unmatured coupons attached but without any coupon matured as of the date of deposit.

Members are wholly liable for any obvious or hidden defects in deposited securities, regardless of the nature of such defects or when they are discovered. It is therefore important that members scrupulously confirm the regularity of securities before delivering them to Midclear offices.

Moreover, challenges must be carefully investigated by members before the securities are deposited with Midclear. Any irregular or challenged security is rejected and a notice of rejection sent to the member. This notice, duly signed to attest agreement, is returned to Midclear by the member, against delivery of the rejected securities (accompanied by a duplicate copy of the notice of rejection).

A sample notice of rejection is shown in Appendix 4.

5 - SECURITIES CONTROL

In addition to the capacity of the depositor and the authenticity of the security, Midclear checks the consistency of deposited securities with the samples provided. Bearer securities are compared with samples of each issue; registered securities are authenticated by the issuer with the aid of its register of shareholders.

III. TRANSFERS OF SECURITIES

1 - FORMS

A transfer order is a numbered form (Midclear Form PCM300) on which the member indicates, in particular, the desired posting date.

The transfer form (completed in triplicate) is dated, signed, and stamped by the originator.

Special care should be taken by the originator in completing transfer forms. Numbers should be entered clearly (member code, value, number of securities, and date). Transfer orders should be completed preferably with a printer or a ballpoint pen. Pencils may not be used.

Failure to follow these instructions may lead to rejection of the transfers.

Any error in a transfer order is the responsibility of the member who made it.

A sample transfer order is shown in Appendix 5.

2 - PROCEDURES

For the time being, transfer orders may be used only to convey securities from A customer to another member in the context of a portfolio transfer.

Transfer orders are nonendorsable, issued separately in respect of a given type of security, and for a single recipient. A member should submit a transfer only if he has a sufficient balance in his securities current account.

In the case of the transfer of a portfolio of registered securities (total or partial), the quantity of securities transferred must correspond to a whole number of certificates held by the customer of the originating member.

The issuing member delivers the original and three copies of the transfer order to Midclear, which, after executing the order, forwards a copy to the recipient member. Transfers are accompanied either by a summary transfer record (Midclear Form PCM400) or a detailed securities holder record.

Two samples of the summary transfer record and the detailed securities holder record are shown in Appendix 6.

3 - VALIDITY

Transfer orders can be prepared with a desired posting date running from the date of issue of the transfer to one month later. The order should be submitted to Midclear no later than the aforesaid posting date, for inclusion in that day's accounting (cf. Chapter V, Midclear Securities Accounting).

4 - MIDCLEAR VERIFICATION

The issuing member delivers the transfer orders with the summary (or detailed) record to the Midclear office.

After checking the transfer orders, the clerk gives the bearer a stamped copy of the record as a provisional receipt.

Any improperly prepared or dubious transfer order is rejected.

IV. WITHDRAWAL OF SECURITIES

1 - FORMS

The withdrawal request is a numbered form (Midclear Form PCM500) containing the same information as the deposit advice.

The request is prepared in duplicate by the member.

A sample withdrawal request is shown in Appendix 7.

2 - PROCEDURES

The member submits the withdrawal request (in duplicate) to the Midclear office. The clerk, after verification, gives him a stamped copy.

This withdrawal will be included in the day's entries (cf. Chapter V, Midclear Securities Accounting), but the actual securities will not be available to the member at Midclear offices until the working day following submission of the request.

The securities are physically delivered against presentation by the member of the copy of the withdrawal request provided on the preceding day by Midclear, bearing the notation "received" and his signature.

The securities delivered are accompanied by a numerical withdrawal record prepared by Midclear, specifying the numbers of the securities delivered to the member. In the case of bearer securities, the securities are of the same type as those initially deposited but the numbers may be different.

A sample numerical withdrawal record is shown in Appendix 8.

Any dispute concerning the numerical withdrawal record must be submitted within five business days of delivery of the securities.

3 - WITHDRAWAL OF REGISTERED SECURITIES

A request to withdraw registered securities can be processed only if it specifies a number of securities corresponding to a whole number of registered securities held by the requesting member's customer.

V. MIDCLEAR SECURITIES ACCOUNTING

1 - CHARACTERISTICS OF AN ACCOUNT

A Midclear securities account is characterized by:

- The security code
- The member Code
- The securities holder identifier
- The number of securities credited to the account
- The security and member codes are those appearing in the official directories published by Midclear
- The securities holder's identifier is the number assigned to the customer by the financial intermediary.

2 - POSTING OF TRANSACTIONS

- Midclear debits and credits the securities current accounts opened on behalf of its members and their customers with the accounting documents submitted by members.
- These documents are the deposit advice (cf. Chapter 2 §4), the transfer order (cf. Chapter 3 §1), and the withdrawal request (cf. Chapter 4 §1).
- Each Midclear business day corresponds to an accounting day, during which transactions are credited or debited to the corresponding accounts and balances are updated.
- Debit entries are not posted until the existence of a sufficient balance of securities has been verified.

3 - DAILY SUMMARY STATEMENT

- At the close of each accounting day, Midclear prepares a statement for each member whose accounts have been debited or credited, including an itemization of the entries, by security and by client, as well as the updated balances.
- This document is made available to members at Midclear offices on the day following the posting. Recipients should very carefully review the statement and report any errors immediately to Midclear.

A sample of this statement is shown in Appendix 9.