

~~Struck through, boldface text~~ indicates deleted language  
**Bold and underlined text** indicates added language.

## Settlement Service Guide

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## Settlement Transactions

There are three main types of transactions processed through the Settlement system.

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- 3. Collateral loans:** The collateral loan service allows a Participant (the ~~pledger~~ **Pledgor**) to ~~pledge~~ **Pledge** securities as collateral for a loan or for other purposes and also request the release of ~~pledged~~ **Pledged** securities. This service allows such ~~pledges~~ **Pledges** and ~~pledge~~ **Pledge** releases to be made free, meaning that the money component of the transaction is settled outside of the depository, or valued, meaning that the money component of the transaction is settled through DTC as a debit/credit to the ~~pledger's~~ **Pledgor's** and ~~pledgee's~~ **Pledgee's** DTC money settlement account. When ~~pledging~~ **Pledging** securities to a ~~pledgee~~ **Pledgee**, the ~~pledger's~~ **Pledgor's** position ~~is moved from the pledger's general free account to the pledgee's account~~ **continues to be credited to the Pledgor's account, however with a system notation showing the status of the position as Pledged by the Pledgor to the Pledgee. This status systemically** ~~which prevents the pledged~~ **which** prevents the ~~pledged~~ **Pledged** position from being used to complete other transactions. Likewise, the release of a ~~pledged~~ **Pledged** position ~~would move the pledged position back to the results in the removal of the notation of the Pledge status of the position and the position would become pledger's general free account where it would then be~~ **available to the Pledgor to** complete other transactions.

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## Collateral Loan Program

### About the Product

The Collateral Loan Program allows you to ~~pledge~~ **Pledge** securities ~~from held in~~ your general free account as collateral for a loan or for other purposes (such as Letters of Credit) to a ~~pledgee~~ **Pledgee** participating in the program. You can also request the ~~pledgee~~ **Pledgee** to release ~~pledge~~ **Pledged** securities ~~back to your general free~~

**account.** These ~~pledges~~ **Pledges** and releases can be free (when money proceeds are handled outside DTC) or valued (when money proceeds are applied as debits and credits to the ~~pledgee's Pledge's~~ and ~~pledger's Pledgor's~~ money settlement accounts). A Pledgee may, but need not be, a Participant. Only a Pledgee which is a Participant may receive valued ~~pledges~~ **Pledges**.

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## **Pledges to the Options Clearing Corporation**

A Participant writing an option on any options exchange may fully collateralize that option by ~~pledging~~ **Pledging** the underlying securities by book-entry through DTC to the Options Clearing Corporation (OCC). If the option is called (exercised), the securities may be released and delivered to the holder of the call. If the option contract is not exercised, OCC validates a release of the ~~pledged~~ **Pledged** securities, ~~which are then returned to the Participant's general free account.~~

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## **Release of Deposits with Options Clearing Corporation on Expired Options**

OCC automatically releases securities deposited with it to cover margin requirements on an option contract when the option contract expires. ~~The securities are then allocated to your general free account.~~ Notification of the released securities is received via the Collateral Loan Services functionality in the Settlement User Interface or automated output.

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## **Shared Control Accounts**

### **About the Product**

Shared control accounts are available as an alternative to “agreement to pledge” arrangements.

### **Background**

When a Participant ~~pledges~~ **Pledges** securities to the ~~pledgee account of a pledge~~ **Pledgee** at DTC (sometimes called a “hard pledge”), the securities are under the sole control of the ~~pledgee~~ **Pledgee**. Only the ~~pledgee~~ **Pledgee** can redeliver or release the securities. ~~Pledgee accounts continue to be available at DTC.~~

Shared control accounts are available at DTC as an alternative to agreement to ~~pledge~~ **Pledge** (sometimes called “agreement to deliver”) arrangements. A ~~pledgee~~ **Pledgee** has control over securities delivered by a Participant to the Participant’s shared control account at DTC since the ~~pledge~~ **Pledgee** has the ability to redeliver the securities

without further consent by the Participant. Until the ~~pledgee Pledgee~~ redelivers the securities, the Participant has the flexibility to redeliver or make substitutions for the securities without obtaining the ~~pledgee's Pledgee's~~ release of the securities.

Shared controls are separately identified in DTC's Reference Directory. Participants interested in establishing a shared control account should contact their Relationship Manager.

### **Procedures for DTC Shared Control Accounts**

The following procedures are an addition to DTC's Procedures for Pledges.

1. Any Participant may establish a shared control account at DTC and may designate any DTC ~~pledgee Pledgee~~ to be the ~~pledgee Pledgee~~ for that shared control account. A Participant may deliver securities (or other financial assets) by a ~~free-pledge Free Pledge~~ from any of its DTC accounts (the "original account") to its shared control account in order to grant a security interest or other interest in the securities to the ~~pledgee Pledgee~~. The shared control account is an account of the Participant and is identified with a separate account number from any other account of the Participant. A Participant may establish multiple shared control accounts, but only one ~~pledge Pledge~~ can be designated for each shared control account.
2. Except as modified by these procedures, the operation of a shared control account is identical to the operation of a DTC ~~pledge Pledge account~~ and all DTC procedures applicable to ~~pledge Pledges accounts~~ are applicable to shared control accounts. No ~~deliveries-vs.-payment Deliveries Versus Payment~~, ~~pledges-vs.-payment Pledges Versus Payment~~, or physical deposits can be made to a shared control account and no ~~deliveries-vs.-payment Deliveries Versus Payment~~, ~~pledges-vs.-payment Pledges Versus Payment~~, or physical withdrawals can be made from a shared control account. A Participant should not deliver securities to another Participant's shared control account. In the instructions for a delivery of securities to a shared control account, the mandatory hypothecation code field should be completed in the same manner as it is for a Pledge made without the use of a shared control delivery to a pledge account. The DTC fees and charges for a transaction involving a shared control account are the same as the fees and charges for a Pledge transaction that does not involving involve a ~~pledge Pledge~~ account. The DTC monthly account usage charges applicable to a shared control account are charged to the Participant. The DTC reports and statements to the Participant and the ~~pledge Pledge~~ for a transaction involving a shared control account are the same as the reports and statements for a transaction involving a pledge Pledge that does not involve a shared control account.
3. ~~As with a pledge account, voting-Voting~~ rights on the securities credited to a shared control account are assigned to the Participant. Cash dividend and interest payments and other cash distributions on such securities are credited to the original account. Distribution of securities for which the ex-distribution date is on or prior to the payable date or in which the distribution is payable in a different security are also credited to the original account. Any stock splits or other

distributions of the same securities for which the ex-distribution date is after the payable date are credited to the shared control account.

4. The securities credited to a shared control account cannot be designated as or included in the collateral for any obligation of the Participant or the ~~pledgee~~ **Pledgee** to DTC. DTC has no lien or other interest in any securities credited to a shared control account.

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### Pledgee's Agreement

AGREEMENT as of [Date], between The Depository Trust Company (Depository Trust) and [Pledgee Name] (Pledgee).

WHEREAS, Depository Trust maintains a centralized securities depository within which transfers and pledges of securities are effected by book entry methods;

WHEREAS, Pledgee desires to have the benefits of a Depository Trust account in order that it may be designated from time to time as a pledgee of securities within the system; and

WHEREAS, subject to the terms and conditions hereof, Depository Trust is willing to provide Pledgee with a Depository Trust account.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained the parties

hereto do hereby agree as follows:

1. So long as Depository Trust makes available to Pledgee a Depository Trust account, Pledgee agrees to pay Depository Trust the charges and fees from time to time in effect for Depository Trust applicable to Pledgee and to participate in Depository Trust in accordance with such Rules and procedures as may from time to time be established by Depository Trust, provided, however, that Pledgee may terminate this agreement at anytime, upon written notice delivered to Depository Trust, accompanied by a written demand for delivery of the certificates representing the securities, or for transfer by book entry of the securities, then being held by Depository Trust for Pledgee's Depository Trust account and payment of any charges of fees then owing to Depository Trust. Immediately upon such notice and demand Pledgee's participation in Depository Trust shall cease. Pledgee shall thereafter be under no obligation to pay any further charges or fees referred to in this paragraph and Depository Trust shall promptly arrange for delivery of Pledgee's certificates representing the securities, or for transfer by book entry of the securities, then being held by Depository Trust for Pledgee's account, such delivery or transfer to be at Pledgee's expense.
2. So long as Pledgee shall maintain a Depository Trust account, Depository Trust, upon the pledge to Pledgee of securities held by Depository Trust for the account of any depositor in Depository Trust, will make appropriate entries on its

books to indicate the pledge of transferring the securities from ~~the account of~~ such depositor to the ~~account of~~ Pledgee and shall maintain such securities ~~in the account of~~ with a notation that the securities are pledged by the depositor to the Pledgee until instructed by Pledgee to release such securities to the ~~account of the~~ pledgor, to deliver such securities to the order of Pledgee or to transfer such securities on the books of Depository Trust to the account of a depositor in Depository Trust other than the pledgor.

3. Pledgee agrees to indemnify and hold harmless Depository Trust, its officers, directors, employees and agents against any and all loss, liability, damage, cost and expense, including reasonable attorneys' fees, arising out of any act or omission by Pledgee, or any of its employees or agents, or the Pledgee's or any of its employee's or agent's error, negligence or fraud relating to Pledgee's Depository Trust account.

4. This agreement and any transactions hereunder shall be governed by and construed in accordance with the laws of the State of New York.

5. This agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns.

6. This agreement shall be effective upon the date when it is executed by both parties hereto and a fully executed copy hereof has been delivered to the box of the Pledgee maintained by Depository Trust on its premises or has been deposited in the United States Postal Service, with postage thereon prepaid, directed to the Pledgee at its address specified below.

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