

Rule 4: Accounts, Trade Capture and Settlement Services

4.1 Introduction. The Paxos Settlement Service is a private and permissioned system developed and operated by the Company. The software related to the Paxos Settlement Service supports a distributed ledger called the Paxos Ledger that records ownership of Eligible Securities and Cash.

4.2 General Description of Paxos Settlement Service. The Paxos Settlement Service is designed to conduct delivery versus payment settlement, on a bilateral basis, of Settlement Obligations between Counterparty Pairs that have been accepted by the Company. Settlement occurs through movement by the Company of Eligible Securities or Cash, as applicable, on the Paxos Ledger between the Participant Accounts of the Participants in a Counterparty Pair.

4.3 Participant Accounts. Prior to commencement of participation in the services of the Company, each Participant will establish a Participant Account. Each Participant may hold Cash and Eligible Securities in its Participant Account, the ownership of which is recorded by the Company on the Paxos Ledger.

4.4 Deposits of Eligible Securities into Participant Accounts. To facilitate the settlement of Settlement Obligations a Participant has with its Counterparty Pairs, the Participant must deposit Eligible Securities into its Participant Account by using relevant instructions through DTC to transfer Eligible Securities to the Company's DTC Account.

4.4.1 Digitization and Withdrawal of Eligible Securities on the Paxos Ledger. Upon receipt of Eligible Securities from a Participant into the Company's DTC Account, the Company, through a process called Securities Digitization, will create a security entitlement on the Paxos Ledger credited to the Participant Account of the relevant Participant that is a representation of the Eligible Security in the Company's DTC Account. In accordance with instructions to the Company from a Participant, the Company will facilitate the withdrawal of Eligible Securities from the Participant's Participant Account by removing the security entitlement to Eligible Securities credited to the Participant in its Participant Account on the Paxos Ledger and initiating relevant instructions through DTC to remove the Eligible Security from the Company's DTC Account and deliver it to a DTC Account of the Participant that the Participant has designated to the Company. For the avoidance of doubt, the Company will not remove the security entitlement to Eligible Securities credited to the Participant in its Participant Account without also transferring the Eligible Securities in rapid succession to a DTC Account of the Participant that the Participant has designated to the Company and any Eligible Securities that fail to transfer out of the Company's DTC Account will continue to be credited to the relevant Participant.

4.5 Deposits of Cash into Participant Accounts.

4.5.1 Company Omnibus Cash Accounts. The Company will maintain two (2) separate types of omnibus Cash custody accounts for the benefit of Participants at each Settling Bank. The two (2) types of accounts are the Operating Cash Account and Margin Cash Account, as described below.

4.5.2 Company Operating Cash Account. The Company maintains an omnibus Cash custody account in its name for the benefit of Participants, known as an Operating Cash Account, at each Settling Bank to hold Operating Cash deposited by Participants for the purpose of settling Settlement Obligations to purchase Eligible Securities from Counterparty Pairs. Participants must deposit Cash to the Operating Cash Account through a wire transfer or other funds transfer process acceptable to the Company.

4.5.3 Company Margin Cash Account. The Company maintains an omnibus Cash custody account in its name for the benefit of Participants, known as the Margin Cash Account, at each Settling Bank to hold Margin Assets of Participants. To fulfill their Required Margin Amounts, Participants must deposit Cash to the Margin Cash Account through a wire transfer or other funds transfer process acceptable to the Company.

4.5.4 Digitization and Withdrawal of Cash on the Paxos Ledger. Upon receipt of Cash from a Participant into the Operating Cash Account or Margin Cash Account, as applicable, the Company, through a process called Cash Digitization, will create a security entitlement on the Paxos Ledger credited to the Participant Account of the relevant Participant that is a representation of the Cash in the Operating Cash Account or Margin Cash Account, as applicable. In accordance with instructions to the Company from a Participant, the Company will facilitate the withdrawal of Operating Cash or Margin Cash, as applicable, from the Participant's Participant Account by removing the security entitlement to Cash credited to the Participant in its Participant Account on the Paxos Ledger and initiating a wire transfer or other funds transfer process acceptable to the Company from the Operating Cash Account or Margin Cash Account, as applicable, to an account that the Participant has designated to the Company. For the avoidance of doubt, the Company will not remove the security entitlement to Cash credited to the Participant in its Participant Account without also transferring the Cash in rapid succession to the account that is designated by the Participant and any Cash that fails to transfer out of the Operating Cash Account or Margin Cash Account will continue to be credited to the relevant Participant.

4.6 Role of PSSC as Securities Intermediary Regarding Participant Accounts. The Company and each Participant agree as follows:

(a) The Company at all times will hold sufficient quantities of Eligible Securities in its DTC Account or Cash in the Operating Cash Account or Margin Cash Account, as applicable, to correspond to security entitlements it creates for a Participant in a Participant Account.

(b) All property credited to a Participant Account will be a financial asset within the meaning of Article 8 of the NYUCC.

(c) The Company will comply with a Participant's directions with respect to any Eligible Securities or Cash credited to a Participant Account.

(d) The Company will comply with a Participant's instructions with respect to the disposition of any Eligible Securities or Cash credited to a Participant Account.

(e) New York will be the securities intermediary's jurisdiction with respect to the Company, and New York law will govern all issues addressed in Article 2(1) of the Hague Securities Convention.

4.7 Method and Timing for Submission of Trade Information, Required Trade Information and Acceptance by the Company. Trade information regarding purchase or sale obligations of a Participant that are intended for settlement through the Paxos Settlement Service and that arise from transactions in Eligible Securities with a Counterparty Pair must be submitted to the Company in accordance with the terms of the operating procedures of any relevant Eligible Trading Venue on which the transaction is executed or, if the transaction is not executed through an Eligible Trading Venue (*i.e.*, the transaction is over-the-counter), then in near real-time by the relevant Participants upon execution.

Trade information submitted to the Company must contain the following details:

- (a) Eligible Security CUSIP;
- (b) quantity of shares;
- (c) price per share;
- (d) amount of money to be settled;
- (e) buying Participant;
- (f) selling Participant;
- (g) trade date; and
- (h) Settlement Date.

The Company will accept any transaction received from an Eligible Trading Venue that is properly submitted to the Company in accordance with the terms of this Rule 4.7, and the Company will use the transaction details provided in the transaction submission by the Eligible Trading Venue without any modification. In the case of an over-the-counter transaction between two (2) Participants that are a Counterparty Pair, the Participants, prior to submitting any such transaction(s) to the Company, will notify the Company in writing regarding which one of the Participants will act as the Designated Trade Submission Participant that will be responsible for submitting confirmed transaction information for the Counterparty Pair to the Company. The Company will accept any transaction received from a Designated Trade Submission Participant that is properly submitted to the Company in accordance with the terms of this Rule 4.7, and the Company will use the transaction details provided in the transaction submission by the Designated Trade Submission Participant without any modification. If transaction information that is submitted to the Company by an Eligible Trading Venue or Designated Trade Submission Participant does not include the required terms specified in (a) through (h) above, the Company will immediately notify either the relevant Participants in the Counterparty Pair in the case of an over-the-counter trade or the relevant Eligible Trading Venue, as applicable, regarding the discrepancy, and the Company will not accept the transaction for settlement until the discrepancy is resolved and the required terms are submitted to the Company.

4.8 Trade Cancellation. A transaction accepted by the Company may be cancelled at any time by an Eligible Trading Venue pursuant to its applicable rules, policies and/or procedures.

4.9 Settlement and the Daily Settlement Cut-Off Time. To meet its Settlement Obligations, each Participant must have the required Eligible Securities or Operating Cash in its Participant Account no later than the Daily Settlement Cut-Off Time on the relevant Settlement Date. Participants, however, are not required to fund Eligible Securities or Operating Cash in advance of the relevant Settlement Date. Provided that each Participant has sufficient Operating Cash and Eligible Securities in its Participant Account, as applicable, the Company will automatically settle the Settlement Obligations of the Participant on the Settlement Date with its Counterparty Pairs by causing the security entitlements to Operating Cash and Eligible Securities, as applicable, to be simultaneously transferred on the Paxos Ledger between the relevant Participant Accounts of the Participants. Prioritization of the use of available Operating Cash and Eligible Securities to make settlement with Counterparty Pairs will be carried out by the Company in accordance with the terms of Rule 6.

4.10 Settlement Cycles. Participants may agree to settle any transaction in an Eligible Security on the trade date that is a Business Day (T+0), on the Business Day after the trade date (T+1), or on any other Business Day after the trade date as they may agree.

4.11 Settlement on a Gross or Net, Bilateral Basis. Unless each Participant in a Counterparty Pair notifies the Company in writing prior to the Company's acceptance of a transaction that the Participants want a specified transaction or transactions to be settled on a gross basis between them as described in Rule 4.3A, all transactions accepted by the Company for clearance and settlement will be settled bilaterally on a net basis per Counterparty Pair as described in Rules 4.1A or 4.2A.

4.12 Settlement Failures. In the event a Participant fails to make sufficient Operating Cash or Eligible Securities available in its Participant Account by the Daily Settlement Cut-Off Time on the Settlement Date to settle its Settlement Obligations to its Counterparty Pair, such failure will constitute a Settlement Failure, and the provisions of Rule 6 will apply.

4.12.1 Continued Attempts at Settlement. The Company will continue to attempt to settle any outstanding Settlement Failure using Operating Cash or Eligible Securities that become available in the Participant's Participant Account until the Settlement Obligation has been settled or closed out pursuant to Rule 6.

4.13 Participant Reconciliation Responsibility. At least daily, each Participant will reconcile its Settlement Obligations and other activities through the Paxos Settlement Service based on any related reports that are made available to the Participant by the Company and the Participant will promptly report to the Company any discrepancies.