

NOS CLEARING ASA

Membership Information Migration from NOS to NASDAQ OMX

June 3rd 2013

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INTRODUCTION

The information in this document is aimed at those responsible for and involved in the NOS Membership migration and is extending the level of details from the Key Changes document sent out in February.

This document describes changes in the following areas for NOS members:

- Membership
- Governing rules and agreements
- Account structure
- IT changes
- Default Fund
- Collateral and Settlement
- Trade reporting

Please feel free to distribute the information further within your organization to anyone affected by the changes. Please also refer to our website for updated and more detailed information:

<http://www.nosclearing.com>

For technical information please refer to the NASDAQ OMX website for the NOS migration: <http://nasdaqomx.com/technicalinformation/NOS>

In addition to the printed material and information on the websites, NOS will be organizing meetings with our members, in order to present the upcoming changes and answer questions. Each member's Key Account Manager will assist with additional information to make the process as smooth as possible.

The changes and proposal in the enclosed document may be subject to change and are subject to regulatory consent or approval, as necessary.

MEMBERSHIP PROCESS AND DOCUMENTATION

All NOS members will be migrated to and become members of NASDAQ OMX provided that the criteria for NASDAQ OMX membership and other criteria for migration are fulfilled at the time of migration. The NOS members have to go through a membership process with NASDAQ OMX and a set of agreements and documents are required. The required documents to be filled in, signed and returned are listed in the Rulebook and Agreement section below.

Deadline for the required documents and agreements to be returned:

- **Members clearing seafood products:** end of July
- **Members clearing freight, fuel and iron ore:** end of September (the deadline is extended for the members clearing USD denominated contracts due to the current availability of USD settlement banks).

MEMBERSHIP TYPES

NASDAQ OMX has several types of memberships, but the most relevant memberships for existing NOS members are Clearing Member or General Clearing Member.

NASDAQ OMX has two structures within the clearinghouse, one for clearing financial products and one for clearing commodities. All NOS cleared derivatives products will be subject to the Clearing Rules of NASDAQ OMX Commodities. Members of NASDAQ OMX's financial market have access to commodities, while NASDAQ OMX Commodity members do not have access to the financial market. For NOS members who would like to access the financial products at NASDAQ OMX, a migration to the financial membership is possible with access to the commodity products.

MEMBERSHIP – CAPITAL REQUIREMENTS

NASDAQ OMX membership criteria for Commodities members differ on membership type:

- A. in respect of a General Clearing Member, an amount corresponding to a restricted equity of EUR 20 million;
- B. in respect of a Clearing Member, an amount corresponding to a total equity of EUR 1 million;

A General Clearing Member must document that it is:

- A. a credit institution licensed in accordance with legislation implementing the Directive 2006/48/EC (Consolidated Banking Directive); or
- B. an investment firm licensed in accordance with legislation implementing the Directive 2004/39/EC (Markets in Financial Instruments Directive), or an entity holding a similar license from another jurisdiction approved by the Clearinghouse.

RULEBOOK AND AGREEMENTS

The main differences between the NOS Clearing Rules and the Clearing Rules of NASDAQ OMX Commodities are related to the following areas:

- **Choice of law and arbitration:** The NOS Clearing Rules are subject to UK law and arbitration in London while the Clearing Rules of NASDAQ OMX Commodities are subject to Norwegian law and arbitration in Oslo and the NASDAQ OMX Financial Rulebook is subject to Swedish law.
- **Transfer of title of cash collateral:** Collateral in the form of cash will be transferred to NASDAQ OMX Stockholm AB by way of security (transfer of title).
- **Choice of law for the Collateral and Default Fund accounts:** Default Fund- and Collateral Custody Account Agreements are subject to Swedish law.

NASDAQ OMX will provide a Memorandum of law on request.

The Clearing Rules of NASDAQ OMX Commodities are now updated to reflect the implementation of the new NASDAQ OMX Collateral Management System (CMS) and are available on the NOS web page: www.nosclearing.com under “Key Changes”.

REQUIRED DOCUMENTATION (FOR NON-NASDAQ OMX MEMBERS)

Various documents will need to be signed by migrating members in preparation for the merger of NOS Clearing ASA into NASDAQ OMX Stockholm AB. For NOS members who are not members of NASDAQ OMX, the following documentation is required:

1. Membership Form:

Provide detailed information about the applicant company and contact persons (1 original signed by the member).

2. General Clearing Membership Agreement or Clearing Membership Agreement:

The Clearing Membership Agreement/General Clearing Membership Agreement will set out the right and obligations of NASDAQ OMX as the Clearinghouse and each clearing member/general clearing member in relation to commodity derivatives clearing activity (2 originals signed by the member)

- 3. Collateral Custody Account Agreements:**
The Collateral Custody Accounts are used to post collateral to NASDAQ OMX and the Collateral Custody Account Agreement will set out the right and obligations of NASDAQ OMX Stockholm AB as a Custodian and each clearing member/general clearing member in relation to the Collateral Custody Accounts. (2 originals for each Collateral Custody Account (for example one house account and one client account, signed by the member)
- 4. Default Fund Custody Account Agreement:**
The Default Fund Custody Account is used to post funds and assets to NASDAQ OMX Stockholm AB Default Fund. The Default Fund Custody Account Agreement will set out the rights and obligations of NASDAQ OMX and each clearing member/general clearing member in relation to the Default Fund Custody Account. (2 originals for each Default Fund the member will participate in, for example general commodity default fund (inc. freight, iron ore and fuel oil) and seafood default fund, signed by the member)
- 5. Mandate (settlement):**
Agreement between NASDAQ OMX Stockholm AB and the member. The Mandate regulates the rights of NASDAQ OMX Stockholm AB of issuing payment instructions to the member's settlement bank. (2 originals signed by the member)
- 6. Power of Attorney (settlements):**
In the Power of Attorney ("PoA") the member authorizes its settlement bank to rely and act on payment instructions from NASDAQ OMX and debit the clearing member/general clearing member's account on behalf of NASDAQ OMX. (Signed by the settlement bank and the member. Send the signed original to the settlement bank for countersignatures and send a copy of the fully signed PoA to NOS)
- 7. Standing Settlement Instructions – Cash:**
Use this form to provide details of instructions for cash callback and other payments in NASDAQ OMX Default fund and Collateral Management Service. (1 original signed by the member)
- 8. CMS – Member Preferences:**
Select a base currency for Collateral Management service and select a currency for payment of fees. (one original signed by the member)
- 9. Collateral Management Web – Request for Access:**
Appoint a main user for the Collateral Management Web application. (1 original signed by the member)

REQUIRED DOCUMENTATION (FOR EXISTING NASDAQ OMX MEMBERS)

NOS members that are already members of NASDAQ OMX Financial Derivatives Market or members of NASDAQ OMX Commodity market, only have to sign and submit the following agreements and documents:

- **Default Fund Custody Account Agreement** : (Only applicable for members required to contribute to a new Default Fund)
- **Mandate (settlement)**: (Only applicable for members using a new settlement bank/new accounts/new currencies)
- **Power of Attorney (settlements)**: (Only applicable for members using a new settlement bank/new accounts/new currencies)
- **Collateral Custody Account Agreements**: (Only applicable for NASDAQ members who wants to separate Collateral Accounts, i.e. one for USD and one for EUR)
- **The member has to fill in an Entry Form to get market access to the new products**

NOTICE

Please ensure that all requirements are met before returning the originals, including all pages on agreements to be signed (using initials) by the member.

Please attach when returning the signed agreements and documents (check off):

- Documentation evidencing the due authorization of the signing person(s), not older than 2 months.
- Certified copy of list of signatories (with signature samples) and/or official ID of signing person(s) (passport, national ID etc).

NOS Clearing ASA and NASDAQ OMX reserve the right to request more information to confirm the due execution of the agreements.

Signed original agreements should be sent to:

NOS Clearing ASA
Attn: Clearing & Settlement
P.O. Box 443
0213 Oslo
NORWAY

ACCOUNT STRUCTURE

The current NOS account structure is supported in the NASDAQ OMX clearing model and all NOS members will be able to replicate the current account setup when it comes to position accounts, margin accounts and information accounts. In addition to the existing NOS account structure, NASDAQ OMX also offers omnibus accounts and the possibility to segregate positions and collateral on a house/clients basis (omnibus client segregation) and on a client-by-client basis (individual client segregation). Clearing members are in turn required to segregate on a house/clients basis and to offer segregation on a client by client basis.

The collateral and settlement account structure will be changed as a consequence of the regulatory changes and the new setup is described in the Collateral and Settlement section of this document.

NASDAQ OMX clearing model is designed to comply with the requirements in EMIR and offering structures that are efficient from the perspective of segregation, portability, operations and capital requirements.

IT CHANGES

All NOS products will be supported by the NASDAQ OMX Genium INET technology based platform after the migration. NOS members and products will technically be setup in the existing NASDAQ OMX Commodities market and cleared by NASDAQ OMX Stockholm AB.

The Genium INET NOS migration project will integrate NOS Members and products to the Commodities, Financial, and Fixed Income derivatives platform and replace:

- QEPTA platform with Genium INET Clearing
- NOS Broker Application with Genium INET Clearing Workstation 2 (CW2)
- Clearing Online Application with CW2
- My NOS Trade web with Trade Affirmation Web
- NOS Trade Feed API with Genium INET FIX 4.4
- Clearing reports will be available through either CW2 or a new SFTP service

The member applications will be accessed from the NASDAQ OMX external website. The web location will be published in June:

- Clearing Workstation 2 (CW2)
- Trade Affirmation Web
- Option Calculator

For detailed technical information and documentation please refer to the NASDAQ OMX dedicated website for the NOS migration:

<http://nasdaqomx.com/technicalinformation/NOS>

This website will be the repository for all technical documents until the migration is completed.

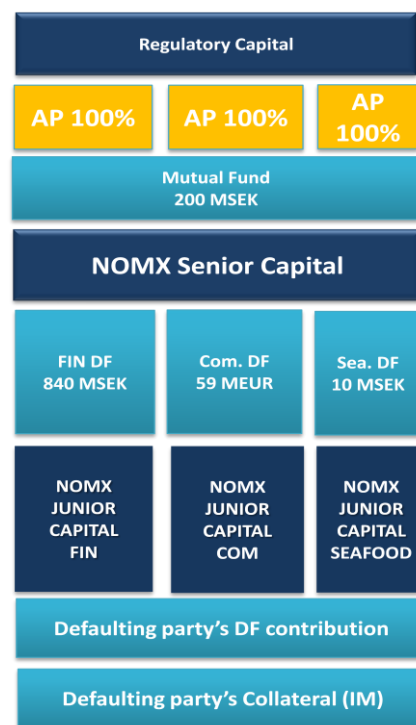
DEFAULT FUND

NOS members will after the merger be part of the existing NASDAQ OMX default fund setup. NOS members clearing freight, iron ore, fuel oil and el-certificates will be contributing to the NASDAQ OMX Commodity Default Fund while NOS members clearing Seafood will contribute to a separate default fund for Seafood.

The current NOS' default fund has a flat rate contribution of USD 150,000 per member in the Freight Market and NOK 150,000 per member in the Seafood market. The new default fund will have a minimum contribution per member per market. The minimum contribution for the Commodity Default Fund covering freight, iron ore, fuel and e-certificates is set to EUR 120,000. The minimum contribution for the Seafood Market is set to EUR 30,000. The member's default fund contribution(s) is reviewed quarterly.

The members' new default fund contribution will be proportional to the members' exposure in the market(s) where they are active. The minimum default fund contribution has to be posted by all members at any time on the Default Custody Account(s). The default fund contribution can be covered by cash and/or securities.

NASDAQ OMX will in early November estimate each clearing member's contribution to the default fund(s) and the required amount will have to be covered by the member at least 10 days prior to the migration day on the collateral account with NOS as Mutual Base (existing Mutual Base requirement will change accordingly and reflected in the clearing reports). The contribution will be migrated to the Default Fund Custody Account with NASDAQ OMX at migration day.



The above proposed default fund structure (waterfall) after migration to be read from bottom and up.

Disclaimer: The size of the resources indicated above may be subject to change. NASDAQ OMX retains the right to adjust and refine its capital model. The size of the resources is also affected by the market dynamics and the exposures the CCP has in respect of its counterparties.

NASDAQ OMX provides the possibility to view and administrate their Default Fund contributions through the CMS Web tool (for further information please see the Collateral section in this document).

For a detailed description on the current Default Fund, please find more information in the NASDAQ OMX Default Fund – Policy Paper to be found here:
<http://www.nasdaqomx.com/europeanclearing/newsmandatorychanges/defaultfund/>

COLLATERAL SOLUTION

After the migration, collateral will be posted directly to Collateral Custody Accounts that the member will have to open with NASDAQ OMX as account provider.

CASH COLLATERAL

Cash amounts will be transferred on a transfer-of-title basis to NASDAQ OMX, which means that members will have an unsecured claim on NASDAQ OMX for such cash amounts. Members will transfer cash to their Collateral Custody Account by making a deposit on a designated NASDAQ OMX bank account in a commercial bank. Such deposit will be reflected on the members' Collateral Custody Account. The cash collateral is invested in accordance with NASDAQ OMX's EMIR compliant investment policy and an interest is calculated on the posted cash collateral. The members may choose a mix of several approved currencies when posting cash collateral. This will add flexibility and may reduce the members' currency risk. There will be haircuts when using currencies other than the currency of the traded products. The members will be able to access the new collateral management service using the Collateral Management web application, the Genium INET API or the Clearing Workstation 1 and 2.

An introduction video to the CMS Web is available here:

http://www.nasdaqomx.com/static/corp/clearing/CMStraining/story_html5.html

The cash collateral posted on the Collateral and Settlement account with NOS will be transferred to the new Collateral Custody Account during the migration. An authorization from the member to NOS is needed (the standard cash release form may be used and filled in with the new account details for the Collateral Custody Account).

SECURITIES AS COLLATERAL

NASDAQ OMX opens up for the use of securities, e.g. bonds and equities, as collateral. Securities posted to the member's Collateral Custody Account will remain the property of the member but will be pledged in favor of NASDAQ OMX. NASDAQ OMX will in turn hold posted securities in securities accounts in the name of NASDAQ OMX "on behalf of clients", with Central Securities Depositories (CSDs) or International Central Securities Depositories (ICSDs) appointed by NASDAQ OMX. NASDAQ OMX will secure the members' voting and financial rights, and correctly handle any relevant tax issue. There will be a haircut when using securities as collateral. A safekeeping fee will be charged for securities, please refer to the CMS Fee list. For more information please see Clearing Appendix 10.

BANK GUARANTEES

Due to Emir Regulations, Bank Guarantees will not be offered as approved collateral to cover margin on Seafood or Freight. For more information regarding bank guarantees please see Clearing Appendix 10- Collateral List, letter K) and L)

CROSS MARKET COLLATERAL

The aggregated margin requirement across markets may be covered by a mix of approved collaterals; cash in different currencies and securities. To efficiently manage collateral, all members must choose a base currency. The base currency is used to present the total net collateral surplus/deficit in a single currency. Margin requirement is measured against posted collateral in each currency before being converted to a chosen base currency. There will be haircuts when using collateral with currencies other than the currency of the traded products.

Updated list of approved collateral will be available in Clearing Appendix 10
http://www.nasdaqomx.com/digitalAssets/86/86012_cmsclearingappendix10-collaterallist.pdf

For more details regarding the new collateral management service follow the link below.
<http://www.nasdaqomx.com/europeanclearing/newsmandatorychanges/collaterallmanagementservice/>

For the Collateral Management Fee List, please follow the link to the NASDAQ OMX website.
<http://www.nasdaqomx.com/europeanclearing/newsmandatorychanges/cmsfeelist/>

CLEARING SCHEDULE

The Clearing Schedule (Appendix 3 to the Rulebook) will be updated with the NOS products during Q3. The main difference to the current NOS schedule is the deadline for covering the margin calls which will be aligned with the other products cleared by NASDAQ OMX where the deadline is 10:30 CET.

SETTLEMENT SOLUTION

NASDAQ OMX offers a settlement solution that differs from the current solutions used by NOS. A detailed description of the Settlement Solution is available on the NOS web page under “Key Changes” together with the list of approved settlement banks.

<http://www.nasdaqomx.com/europeanclearing/nordicclearingtoday/settlementexpiationdelivery/>

<http://www.nasdaqomx.com/europeanclearing/nordicclearingtoday/settlementexpiationdelivery/approvedsettlementbanks/>

Settlement banks for USD will be added to the list as soon as possible.

The settlement cycle for NOK and USD is currently not included in the Appendix 3 (Trading and Clearing schedule) but will be published in Q3. The proposed settlement cycles are as follows:

USD settlement cycle:

- a. Members receive cash settlement reports from NASDAQ OMX no later than 07.00 CET (may be available earlier)
- b. 15.00 CET NASDAQ OMX sends Direct Debit to settlement banks Debiting members account and crediting NASDAQ OMX account in Settlement bank
- c. 15:45 CET NASDAQ OMX sends SWIFT message to settlement banks to transfer USD from NASDAQ OMX accounts with settlement banks to NASDAQ OMX account with USD concentration bank
- d. 16:30 CET NASDAQ OMX sends SWIFT to concentration bank to transfer USD from NASDAQ OMX account with the concentration bank to NASDAQ OMX accounts with settlement banks
- e. 17:15 CET NASDAQ OMX sends SWIFT requesting the settlement bank to debit NASDAQ OMX USD account and credit the members accounts with the settlement bank to settlement banks
- f. 17:30 CET NASDAQ OMX receives confirmations of debit of USD on NASDAQ OMX account with the settlement banks

NOK settlement cycle:

- a. Members receive cash settlement reports from NASDAQ OMX no later than 07.00 CET (may be available earlier)
- b. 09.00 CET NASDAQ OMX sends Direct Debit to settlement banks Debiting members account and crediting NASDAQ OMX account in Settlement bank
- c. 09:45 CET NASDAQ OMX sends SWIFT message to settlement banks to transfer NOK from NASDAQ OMX accounts with settlement banks to NASDAQ OMX account with NOK concentration bank
- d. 10:30 CET NASDAQ OMX sends SWIFT to concentration bank to transfer NOK from NASDAQ OMX account with the concentration bank to NASDAQ OMX accounts with settlement banks
- e. 11:15 CET NASDAQ OMX sends SWIFT requesting the settlement bank to debit NASDAQ OMX NOK account and credit the members accounts with the settlement bank to settlement banks
- f. 11:30 CET NASDAQ OMX receives confirmations of debit of NOK on NASDAQ OMX account with the settlement banks

NASDAQ OMX EMIR TRADE REPORTING SERVICE

Under The European Market Infrastructure Regulation (EMIR) one of the key directives is the obligation to report all derivatives contracts to Trade Repositories (TR), which are entities regulated by EMIR that centrally collect and maintain the records of all derivatives trade related data.

NASDAQ OMX will offer EMIR derivatives reporting services regarding:

- Establishing connectivity with relevant Trade Repositories
- Reporting of derivatives contracts traded and cleared on NASDAQ OMX's markets
- Reporting of OTC derivatives transactions that are not traded or cleared by NASDAQ OMX
- Ability for members to append required data to derivatives transactions for reporting
- Daily updates to the Trade Repository of collateral and mark-to-market valuations
- Reporting feedback of submitted reports

Full Reporting

For derivatives cleared at NASDAQ OMX where the a customer keeps position segregated accounts per beneficial owner, NASDAQ OMX can complete the Trade Repository report with all required data without the need for interaction from the customer.

Partial Reporting

For Customers with a setup where NASDAQ OMX does not have access to all required data or where the Customer selects to submit its own reports to a Trade Repository but need NASDAQ OMX to complement their reports with some data, a partial reporting service is offered according to the alternatives described below:

- For Customers that connect to a Trade Repository themselves for reporting, NASDAQ OMX will duplicate the missing data at the Trade Repository to the report created by the Customer.
- Alternatively, the Customer can complete partial reports created by NASDAQ OMX and submit the reports to the Trade Repository through NASDAQ OMX. This option does not require direct connectivity to a Trade Repository for the Customer.
- OTC derivatives transactions that are not traded or cleared by NASDAQ OMX may also be submitted via the service interface. This option, also, does not require direct connectivity to a Trade Repository for the Customer.

For more information please see the NASDAQ web site (<http://www.nasdaqomx.com/europeanclearing/traderepositoryservices/>) or contact Trade Reporting directly at tradereporting@nasdaqomx.com.

CONTACT DETAILS

Please contact NOS Clearing ASA for any questions regarding the migration process:

Email: operations@nosclearing.com

Phone: +47 67 10 85 10