

MODIFICATION 249 - PROPOSED DRAFT LEGAL TEXT

SECTION N: CLEARING, INVOICING & PAYMENT

Insert a new paragraph 4.1.2 as follows -

4. BANKING ARRANGEMENTS

4.1 Establishment of Accounts

4.1.1 The FAA shall establish and operate on behalf of the BSC Clearer the following accounts (each a "**BSC Account**") in the name of the BSC Clearer:

- (a) a Clearing Account with the BSC Banker to and from which all payments determined in accordance with this Section N are to be made;
- (b) a Collection Account to which payments from Trading Parties are made;
- (c) a Reserve Account with the BSC Banker to which all Cash Cover, proceeds of Letters of Credit, surplus payments received from Payment Parties pursuant to paragraph 7 and other amounts specified in this Section N shall be credited or debited;
- (d) a Borrowing Account with the BSC Banker on which the FAA on behalf of the BSC Clearer may make permitted Drawings or to cover payments due from Payment Parties that are below the Advice Note Threshold Limit during an Advice Note Period; and
- (e) any other account that the FAA (with the prior written consent of BSCTCo) considers desirable to enable the BSC Clearer to perform any obligations imposed on it by this Section N.

4.1.2 The FAA shall also establish on behalf of the BSC Clearer the means by which to facilitate and manage the transfer of Reserve Account monies between the Reserve Account and Investment Accounts.

Change 4.6.4 as follows -

4.6 Reserve Account

4.6.1 Where a Trading Party provides Credit Cover by delivering cash (as contemplated by Section M) that Cash Cover shall be:

- (a) credited to the Reserve Account (an account in the name of the BSC Clearer);
- (b) the absolute property of the BSC Clearer (and the relevant Trading Party shall have no beneficial or other interest in the Cash Cover); and
- (c) a limited recourse loan to the BSC Clearer which is repayable only in the circumstances set out in paragraph 4.6.3 and subject to the provisions of this Section N.

4.6.2 The purpose of the Cash Cover is to ensure that, on a continuing basis and for so long as the Trading Party is not a Discontinuing Party, the BSC Clearer is a debtor to the relevant Trading Party and in calculating the amounts due either from the BSC Clearer to the Trading Party or from the Trading Party to the BSC Clearer in accordance with this Section N, the amount of the Cash Cover shall be ignored.

- 4.6.3 The FAA on behalf of the BSC Clearer shall pay or repay the following amounts at the times indicated from the Reserve Account to each Payment Party:
- (a) (subject to paragraph 4.6.6) quarterly the amount of interest referred to in paragraph 4.6.4;
 - (b) an amount requested in accordance with Section M2.3; and
 - (c) if that Payment Party is a Discontinuing Party (as defined in Section A), on the Discontinuance Date the cash paid by or on behalf of that Discontinuing Party credited to the Reserve Account and not subsequently withdrawn or repaid in accordance with this Section N.
- 4.6.4 The amount of interest is:
- (a) an amount equal to interest from time to time received which is proportionate to the amount of monies deposited by the Payment Party from time to time in the Reserve Account; –and
 - (b) credited to the Reserve Account and not subsequently withdrawn, repaid or set off in accordance with this Section N.

Insert new paragraph 4.10 as follows

4.10 Treasury Policy and investment of Reserve Account monies

- 4.10.1 BSCCo may from time to time, and in accordance with the Treasury Policy, direct the FAA in writing to transfer certain monies between the Reserve Account and Investment Account.
- 4.10.2 BSCCo shall notify the Parties in the event the Board amends the Treasury Policy. If there is any amendment to the Treasury Policy, such amendment shall not take effect until at least 15 Business Days after BSCCo has issued notification to the Parties of the amendment.
- 4.10.3 The Treasury Policy shall be made available to Parties upon request.

Insert new paragraph 8.6.2 as follows.

8.6 Prohibition on transfers

- 8.6.1 The FAA shall not at any time instruct the BSC Banker to transfer any sum from a BSC Account to another account (not being a BSC Account) unless that account is a Settlement Account or (in the case of erroneous payments to the BSC Clearer) with the authority of BSCCo and the relevant Payment Party concerned.
- 8.6.2 Notwithstanding paragraph 8.6.1, the FAA may instruct the BSC Banker to transfer monies between the Reserve Account and an Investment Account. Such instruction by the FAA to the BSC Banker shall only be made by the FAA upon receipt of a written instruction issued by BSCCo in accordance with paragraph 4.10.1.

SECTION X –DEFINITIONS AND INTERPRETATION - ANNEX X-1 (version 44.0)

Amend Section X – Annex X-1 by inserting the following definition into Annex X – 1 General Glossary in alphabetical order.

<u>"Investment Account":</u>		<u>means an account with a bank or a building society into which Reserve Account monies are deposited for investment;</u>
<u>"Treasury Policy":</u>		<u>means the policy approved by the Board from time to time which sets out the criteria governing the investment of Reserve Account monies;</u>