

Glossary of Terms

Term	Comment on definition	Issuer
Auto-Collateralisation	By referring to self-collateralisation, the notion of collateralisation "on Stock" is lost. Previously there had been a useful distinction: auto-collateralisation= collateralisation on stock; self-collateralisation=collateralisation on flow	clearstream
Central Securities Depository (CSD)	<u>Missing:</u> 3) providing custodial services such as administration of corporate events, actions, redemptions	clearstream
Central counterparty (CCP)	<u>Addition:</u> The CCP guarantees both parties to the transaction that the open contracts will be performed.	clearstream
Clearing Member (CM)	<u>Addition:</u> A Clearing Member is entitled to perform the clearing of securities, futures and options transactions. In addition, Clearing Members are responsible for the timely fulfillment of all payment and delivery obligations resulting from securities transactions.	clearstream
Collateral pool	In fact the reason for the need for collateral is always known and specific, but the techniques of providing collateral differ as to segregating /identifying the collateral, vs there being a pool. so the text should state: "By contrast with an ear marking system, this technique enables an institution to make collateral available to a counterparty without allocating specific assets from that pool. Antonym: <i>Earmarking</i> "	clearstream
Contractual Settlement date	<u>New term:</u> The contractual settlement day is the value date agreed upon at the trade date.	clearstream
Corporate action	<u>Amendment:</u> Corporate actions refer to cash payments (dividends or bonuses) or to the booking of rights (subscription rights, partial rights, splits, mergers).	clearstream
Cross-Border settlement	"Settlement that takes place between participants of different CSDs in different countries." The antonym can be deleted.	clearstream
Default	The second sentence is too broad- a settlement fail is not a default. Suggested text: "Generally, the non-performance of an obligation to complete ..." And again:: " A failure to pay or deliver, breach of agreement and the opening of insolvency proceedings can all constitute events of default."	clearstream
Delivery versus payment	<u>Amendment:</u> i.e. a delivery instruction where the delivery of securities and the payment of the cash consideration are linked.	clearstream

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Earmarking	A technique for providing collateral whereby identified assets are provided as collateral without these being moved from the providers account. Earmarking is therefore an alternative technique to book-entry credits and shall be equally protected and privileged. In case of both methods the full ownership of the financial collateral remains with the collateral provider.	clearstream
Fail, failed transaction	<u>Amendment:</u> i.e. a transaction is overdue if the contractual settlement day is one or more business days in the past	clearstream
Final settlement, Final transfer	The entry is mistaken about the degree of protection offered under the settlement finality directive, notably protection against zero-hour rules. The first bullet should read: " -the enforceability of a transfer order which is binding on third parties and protected from insolvency risks, providing that the transfer order was entered into the system, as defined by its rules, before notification of the insolvency proceedings was received; and "(next bullet follows)	clearstream
Indirect link	"A link between two CSDs through a non-CSD intermediary.."	clearstream
Investor CSD	The cross system settlement is a necessary consequence, rather than the goal. Suggested text: " An investor CSD allows its clients to hold securities on its books that are issued at another CSD (issuer CSD)."	clearstream
Margin	<u>Amendment:</u> Margin is collateral which has to be deposited by the Clearing Member for contract fulfillment (Additional Margin, Futures Spread Margin, Premium Margin) and serves to cover the risk exposure of the clearing house.	clearstream
Market Risk	Risk associated with factors which influence the market as a whole. It cannot be reduced or eliminated by portfolio diversification.	clearstream
Repurchase Agreement	<u>New definition:</u> The process of borrowing money by combining a sale of an asset (usually a fixed income security) with the repurchase of the same asset at a later time, at a slightly higher price (which reflects the borrowing rate).	clearstream
Settlement Account	<u>New definition:</u> The account of a settlement agent with the Central Securities Depository.	clearstream
Settlement Failure	<u>New definition:</u> A securities transaction that does not settle on the contractual/intended settlement date due to either a lack of securities on the seller side or an insufficient payment capacity on the buyer side.	clearstream
Substitution (of securities)	You cannot substitute lent securities. You can recall them, or you can substitute lenders. Suggested text:" A situation in which an institution which has deposited securities as collateral recalls these, and replaces them with..."	clearstream

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Zero -hour rule	The entry does not mention retroactive application of insolvency to transactions that had already settled. It is this retroactive application that generates unwinding. Suggested text" A provision in the insolvency laws of some countries that retroactively declares invalid any transactions that may have settled during the course of the day in which the insolvency was declared. The European Settlement Finality Directive specifically protects against the retroactive application of insolvency rules."	clearstream
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