

DEFAULT PROCEDURES

Lending arrangements [D160-D163~~4~~]

D160	<p>Rule D161 shall apply only to lending arrangements which are notified to the Exchange by the defaulter or the counterparty within such time as may be specified by the Exchange in relation to the default. Any lending arrangements which are not so notified will not be regarded as Stock Exchange market contracts only for the purpose of applying the Exchange's default procedures.</p>
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Guidance to Rule:

*Where the **defaulter** and **counterparty** do not notify unsettled on **Exchange lending arrangements** to the **Exchange** within the period specified by the **Exchange** in relation to the default, those **lending arrangements** will be excluded from the **default procedures**. However they will continue to be regarded as **Exchange transactions** for all other purposes (e.g. **SDRT relief**).*

D160 1	<p>Upon declaration of default in respect of a member firm which is a party as principal to an unsettled Stock Exchange market contract in the form of a lending arrangement, all unperformed obligations of the defaulter and the counterparty shall be discharged and replaced by an obligation on one of them to pay to the other the amount, if any, calculated in accordance with the following provisions:</p>
D160 1 .1	<p>the value of securities to be delivered by each party shall be established in accordance with the agreement regulating lending procedures between them;</p>
D160 1 .2	<p>the value of cash payments to be made by each party shall be established in accordance with the agreement regulating lending procedures between them; and</p>
D160 1 .3	<p>on the basis of those values, an account shall be taken as at the time of the declaration of default, of what is due from each party to the other and the sums due from one party to the other shall be offset against the sums due from that other and only the balance of the account shall be payable by the party having the claim valued at the lower amount pursuant to these provisions.</p>

D164 2	<p>Rule D1601.1 shall apply notwithstanding any requirement in the agreement regulating lending procedures that the counterparty shall provide any notification to the defaulter or elect to withhold any delivery or payment provided for under the agreement.</p>
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D162 3	<p>In the case of an unsettled Stock Exchange market contract in the form of a lending arrangement, any reference in rule D1601 to securities shall include any asset other than cash provided by way of collateral pursuant to the agreement regulating lending procedures between the defaulter and the counterparty.</p>
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D163 4	<p>The Exchange shall ensure that any net sum resulting from the application of rule D1601 is included in establishing the net amount for certification.</p>
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