

Buy-in principles and procedures for defaulted equity transactions

1. Effective: December 4, 2006

2. Principles: Next-day buy-in, same-day settlement

3. Buy-in period

TSD will start the buy-in from the day following default, for 4 days. If TSD cannot buy the securities during that period, the transaction will be settled outside the system.

4. Buy-in price

On the first buy-in date, an additional five spreads will be added to the previous closing price or best bid, whichever is higher.

If the buy-in list is not filled during the first day, the price will be increased by 2 spreads from the previous buy-in price, closing price or best bid, whichever is highest.

If the buy-in of securities cannot be completed in a day, and there are additional amounts in default on the next settlement day, TSD will sum the volume of the previous day's remaining buy-in and the new default amounts at the same price for the next day's buy-in list.

5. Clearing and settlement of a buy-in transaction

Clearing and settlement of a buy-in transaction occurs on the same day that the buy-in is initiated, and nets out against the normal settlement transaction

6. Criteria for setting priority of selling members

Offers will be taken in time priority sequence.

7. Criteria for setting priority of defaulting members

The criteria for serving defaulting members are:

1. The member(s) with the earliest default date will be served first.
2. Where there are a number of defaulting sellers for the same undelivered security on the same day, the securities obtained through buying-in will be allocated pro rata.

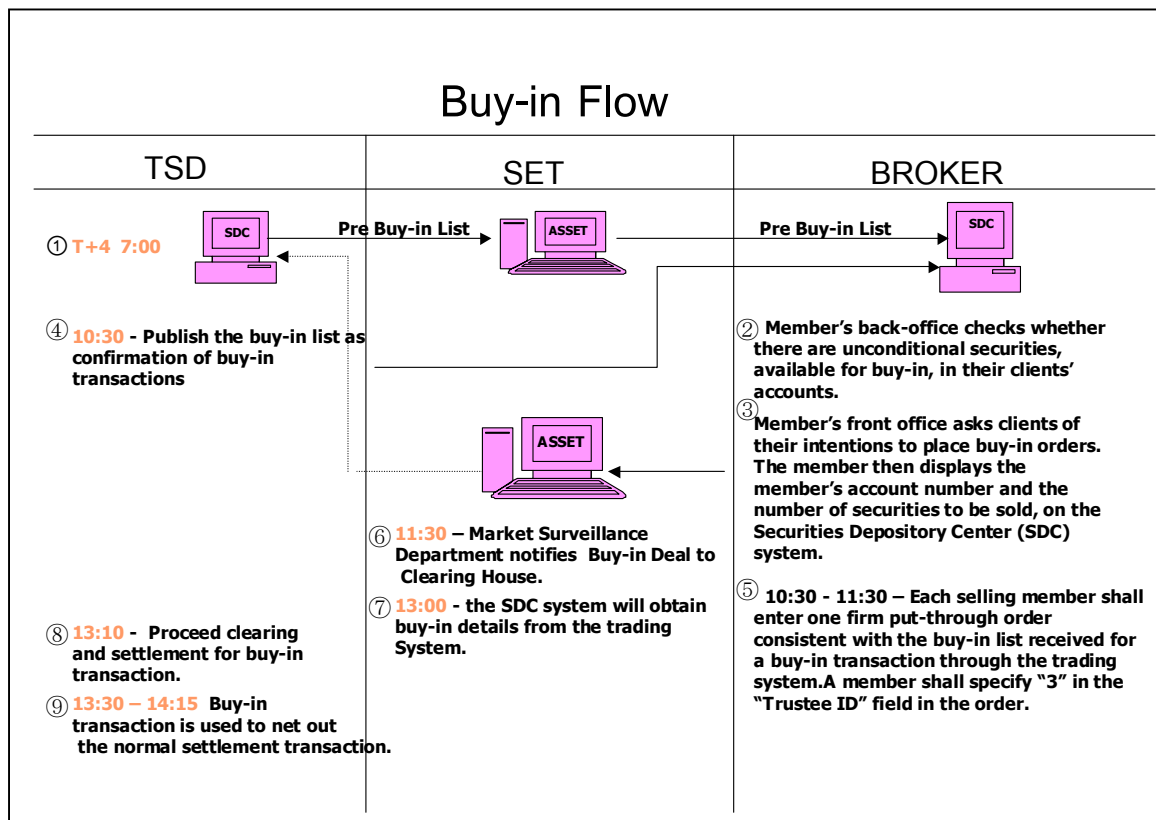
If this process leaves an unallocated balance, the remaining securities will be allocated randomly.

Note: Allocation is done on a board lot basis; no odd lots are handled.

8. Costs

The defaulting member pays all costs incurred.

9. Buy-in Procedure



9.1 On the day following default at 07:00 hours., TSD notifies all members, publishing the pre-buy-in list through the trading and SDC systems. The pre-buy-in list shall contain the following details:

- Trading date;
- Name of securities;
- Volume of securities;
- Proposed buy-in price;
- Market.

9.2 Each member's back-office then checks whether there are unconditional securities, available for buy-in, in their clients' accounts.

9.3 Member's front office asks clients of their intentions to place buy-in orders. The member then displays the member's account number and the number of securities to be sold, on the Securities Depository Center (SDC) system. This system checks whether there are enough securities in the nominated account. If sufficient, these securities are locked-in to ensure their delivery.

9.4 Client's intention is transmitted via SDC and prioritized according to arrival time. Individual allotments of securities bought-in are deducted on a real-time basis until the buy-in transaction is filled.

9.5 Defaulting member is obliged to inform TSD through the SDC system by 10:30 hours of the approach used to cover defaulted securities. The approach could be:

9.5.1 Buy-back transaction

Defaulting member can repurchase the defaulted securities up to the amount in default due to non-delivery. He must identify the trade date (T+1, where T is the date on which the defaulting transaction was sold), and specify the amount of delivery-related securities, which must not exceed the total buy amount on that date.

9.5.2 Securities transfer

Defaulting member must specify the transaction number of the securities transfer transaction.

9.5.3 Securities deposit

Defaulting member must specify the transaction number of the securities deposits transaction.

9.5.4 Clearing-to-custodian transaction.

Defaulting member must specify the transaction number and settlement date of the transactions initiated. In addition, confirmation of a clearing-to-custodian transaction must be completed after settlement time on the settlement date, up until the issuance of the buy-in list (at 10:30 hours) on the following business day.

9.6 At 10:30 hours, the system shall:

9.6.1 Deduct the amount of delivered securities from the buy-in securities.

9.6.2 Release securities to the account of the selling member whose trading order need not be entered into the trading system.

9.6.3 Publish the buy-in list as confirmation of buy-in transactions, entering the following details into the trading system through the SDC System and provided as a report and text file:

- Name of securities
- Quantity of securities
- Buy-in price

Two types of printed report could be asked for:

1. Buy-in transactions which are required to be entered as put-through order.
2. Buy-in transactions that are **not** required to be entered as put-through orders because the defaulted delivery transaction has been covered by the approach indicated in 9.5

9.7 Each selling member shall enter one firm put-through order consistent with the buy-in list received for a buy-in transaction through the trading system during 10:30 -11:30 hours. Additionally, a member shall specify “3” in the “Trustee ID” field in the order.

9.8 At 13:00 hours, the SDC system will obtain buy-in details from the trading system, for use in the clearing and settlement for a buy-in transaction. This buy-in transaction is used to net out the normal settlement transaction.

9.9 Once a buy-in deal has been settled, the securities which were placed on “hold” will be transferred to the clearing account(s) of the selling member(s) and allocated to the defaulting member(s).