



Payments

Business Description

This document is for information purposes only, and is legally non-binding. The information contained in this document is believed to be accurate at the time of its release, but no representation or warranty is given (express or implied) as to its accuracy, completeness or correctness. Neither the author nor any of the N2EX companies accepts any liability whatsoever for any direct, indirect or consequential loss or damage arising in any way from any use of or reliance placed on this document for any purpose. N2EX is the trade name of a consortium consisting of NASDAQ OMX Stockholm AB and Nord Pool Spot AS, and a registered trademark of the NASDAQ OMX Group, Inc. This document is subject to copyright, and no part of the content of this document may be reproduced or transmitted in any form without the written permission of N2EX. All rights reserved.

Table of Contents

1	GENERAL	3
1.1	Legal framework and document references	3
1.2	Organization	3
2	BUSINESS MODEL DESCRIPTION	4
2.1	Pay-ins.....	4
2.1.1	Management	4
2.1.2	Verification.....	4
2.1.3	Reconciliation	4
2.1.4	Exception handling	4
2.1.5	Error handling	5
2.1.6	Missing payment.....	5
2.2	Pay-outs.....	5
2.2.1	Management	5
2.2.2	Message flow.....	5
2.2.3	Verification.....	6
2.2.4	Internal Reconciliation	6
2.2.5	Error handling	6
2.2.6	Missing payment.....	6
2.3	Fees	7
2.4	Cash collateral account	7
3	BUSINESS PROCESS DESCRIPTION	8
3.1	Overview.....	8
3.2	Detailed Settlement Description	8
3.2.1	Net buyer.....	8
3.2.2	Net seller	9
3.2.3	Fees and miscellaneous	9
3.3	Settlement Cycle	10
3.4	Cash collateral account	11
3.5	Bank accounts	12
3.6	Exception Handling	12

1 GENERAL

The N2EX UK power market will operate its payments according to trading invoices or self billing invoices. Payments following the trading invoices/self billing invoices will either be transactions into N2EX's settlement account in Nordea Bank Finland PLC, London Branch, or transactions out of the N2EX's settlement account.

All transactions, once initiated, will be guaranteed finalized intra-day by the CHAPS banking system.

1.1 Legal framework and document references

Clearing Rules v.1.01 as issued by NASDAQ OMX Stockholm AB.

In the event of any discrepancies or deviations in the following documentation, these clearing rules should be considered superior.

1.2 Organization

N2EX, represented by NASDAQ OMX Stockholm AB – Norwegian Branch will make sure that all pay-ins and pay-outs are transacted according to the legal framework and within the due dates and times stipulated.

The handling of transactions will be the responsibility of the Business Operation and Clearing division of N2EX. The internal business routines performed by this division all involve action and verification and are carried out according to the 'Four Eyes Principle' for efficient and secure processing.

2 BUSINESS MODEL DESCRIPTION

2.1 Pay-ins

Pay-ins are initiated by the member according to an invoice sent by N2EX. Pay-ins will be due for all members with a net purchase amount on any given Delivery Day (D). The invoice will be due on the following day Clearing Day (D+1), meaning the Banking Days specified in the Clearing Schedule.

Members with due pay-ins are according to the Clearing Rules obligated to initiate the transaction within 11:00 UK London time through their applicable settlement banks.

2.1.1 Management

The handling of pay-ins is primarily the responsibility of each member and they are obligated to initiate transactions to N2EX. However, N2EX takes on the role of making sure all due payments are transacted and will keep track of the status of all Pending Invoices.

2.1.2 Verification

N2EX will make sure that Invoices are made available through two alternatives. Members will be able to retrieve Invoices from Condicto Clearing Station's Billing Reports. In addition, Condicto shall issue a "paper invoice" in PDF which is sent to a pre-defined e-mail address specified by each member. N2EX' daily routines include checking the status of Invoices by verification of sent PDF Invoices as well as the status of Condicto Clearing Station and availability of reports.

2.1.3 Reconciliation

Pay-ins will be reconciled on a daily basis by N2EX and invoices in Condicto Clearing Station will be updated when paid. Following the due date and time of invoices, N2EX will receive an automated message with a status on all incoming transactions of the settlement account conducted on the specific Banking Day. These payments will be mapped to each issued invoice and determine the status of pay-ins.

Manually through a graphic user interface; N2EX operators are able to monitor all transactions to the N2EX settlement account. This will then serve as the necessary confirmation and internal reconciliation for all pay-ins either in addition to- or as a replacement of the automatic solution.

2.1.4 Exception handling

In the event of mismatched payments due to missing invoice numbers, wrong totals or values in the transaction etc., N2EX operators will utilize the graphic user interface to identify the mismatched payments and reconcile them.

2.1.5 Error handling

If any technical errors are experienced related to pay-ins this will undergo investigation from N2EX operations personnel in cooperation with N2EX Risk Management, technical staff, the Concentration Bank, involved Settlement Banks, and if necessary the member in question. This will be a dynamic process dependent on the error situation at hand, but shall be handled promptly and solved as soon as possible.

2.1.6 Missing payment

As the initiation of payments within the deadline at 11:00 UK London time is set forth by the Clearing Rules, the lack of such will result in a technical default situation. Members and N2EX will strive to avoid these situations, but they will be handled swiftly by N2EX Risk Management at their discretion and according to well established routines.

2.2 Pay-outs

Pay-outs are initiated by N2EX according to a Self Billing Invoice sent to the member from N2EX. Pay-outs will be due for all members with a net sell amount on any given Delivery Day (D). The Self Billing Invoice will be due on D+3 and the payment shall be initiated by N2EX before 14:00 UK London time.

All transactions regarding pay-out will be handled by the N2EX Bank Interface. In short, Condicto will generate payment instructions which in turn will be sent to Nordea Bank Oslo by EDIFACT standard.

Pay-outs will follow the technical route as specified in the Banking Model of N2EX and the message flow will work according to the Technical Specification.

In brief, pay-outs to N2EX members will be initiated by the distribution of an EDIFACT PAYMUL message from N2EX to Nordea Bank Oslo. This payment instruction will in turn debit N2EX' Settlement account and credit the receiving member's pre-defined bank-account.

2.2.1 Management

The handling of pay-outs is comprised of several segments and will be managed and monitored by N2EX operations personnel.

2.2.2 Message flow

The message flow is dependent on the overall structure of the Bank Interface and its modules. Both Operational and Technical personnel will be involved to ensure that the system works as specified. On a daily basis, the message flow will be monitored by the operations department. PAYMUL shall go to Nordea Bank Oslo. CONTRL messages from Nordea Bank Oslo are returned as confirmation of received PAYMUL.

2.2.3 Verification

The operations department must make sure that Condicto generates the payment instructions. This is a crucial part of the daily operations and must be verified every clearing day. The instructions will be sent as a PAYMUL file and shall contain all transactions to be debited the N2EX bank account on D+3 and credited the member's settlement bank account.

2.2.4 Internal Reconciliation

The PAYMUL file and its total pay-out shall balance with the pay-ins from D+1 at any given day. As settlement from delivery is a "zero-sum game", this is of the utmost importance and any errors must be raised immediately and corrected.

There are both automatic and manual processes in place for reconciliation of pay-outs. The Bank Model includes an automatic confirmation of transactions conducted intra-day on the N2EX settlement account via SWIFT messages. These messages will be sent from Nordea Bank Finland Plc. London Branch to Nordea Oslo where they are converted to EDIFACT FINSTA and sent to Condicto for reconciliation.

The manual process is handled by operations and requires that authorized personnel access the e-banking service provided by Nordea Bank Finland Plc. London Branch. Through a graphic user interface, operations are able to monitor all transactions from the N2EX settlement account. This will then serve as the necessary confirmation and internal reconciliation for all pay-outs either in addition to- or as a replacement of the automatic solution.

2.2.5 Error handling

If any technical errors are experienced related to pay-outs this will undergo investigation from N2EX operations personnel in cooperation with N2EX Risk Management, technical staff, the Concentration Bank, involved Settlement Banks, and if necessary the member in question. This will be a dynamic process dependent on the error situation at hand, but shall be handled promptly and solved as soon as possible.

2.2.6 Missing payment

N2EX will strive to avoid these situations by making sure to have correct records of member bank accounts, swift handling of error situations and the possibility of executing manual payments is presented as an option if the automated process fails. Nordea Bank Oslo assumes responsibility of payments after sending the positive CONTRL message and well established routines in the bank system makes sure that missing payments are identified and executed manually in a timely manner.

It is important for N2EX as well as the members with Self Billing Invoices due that N2EX is able to fulfill the obligations stipulated in the Clearing Rules in the unlikely event of a failure in the automated payment process.

2.3 Fees

Fees will be invoiced on a monthly basis with 5 consecutive Banking Days to due date. These will be made payable to a segregated N2EX fee bank account in Nordea Bank Finland Plc. London branch. There will be no cross-netting between settlement and fees.

2.4 Cash collateral account

The cash collateral account for each member is a requirement according to the Clearing Rules. In the event of members having a margin call larger than the cover of their Letter of Credit, the member must deposit funds into the cash collateral account to cover the total margin call.

Each member's cash collateral account will be linked to Condico and Condico will receive updates on account balance each Clearing Day as well as SWIFT messages stating transactions to/from the account twice during any given Clearing Day. It is the member's responsibility to ensure that all of their registered bank accounts are in compliance with the rules in the Settlement Bank agreement. However, all settlement banks must fulfill these requirements in order to be able to provide members with the necessary services.

According to the Settlement Bank Agreement, the settlement bank must also make available possibilities of updated cash collateral account balances outside the mentioned timeframes, upon request from NASDAQ OMX Stockholm AB.

3 BUSINESS PROCESS DESCRIPTION

3.1 Overview

The settlement cycle starts with the commencement of trades, either through the N2EX exchange market or OTC bilaterally or through a broker. The trades are subsequently cleared with NASDAQ OMX Stockholm AB as the central counterparty.

All listed products at N2EX have a delivery period consisting of date and time in a First Delivery Day and a Last Delivery Day as identified in the Product Specification. In the settlement cycle, the Last Delivery Day will determine how this plays out. All contracts in delivery are settled daily. This means that volumes delivered during a certain Delivery Day are invoiced after the End of Day cycle. A week contract will in other words be settled and invoiced as the underlying days in the week.

N2EX runs an End of Day (EoD) process at the end of each Clearing Day. The EoD process will calculate settlement and generate Invoices and Self Billing Invoices for contracts in their Last Delivery day. Invoices are sent out to members who during the day held a position of contracts in delivery with a net sell amount. The due date of the Invoice is set to the following Clearing Day (D+1). The member is thus required to pay N2EX.

On the contrary, members who held a position of contracts in delivery with a net purchase amount will be issued a Self Billing Invoice. The due date for the Self Billing Invoice is set to the third day following the Delivery Day (D+3).

N2EX is thus required to pay the member.

Fees are also part of the settlement cycle but occur only once a month. A separate Invoice is created with five consecutive Clearing Days until due date. These are made payable to a charges account in Nordea Bank Finland Plc., London Branch.

3.2 Detailed Settlement Description

3.2.1 Net buyer

Following the EoD process performed by N2EX, a member with a net purchase amount will receive an Invoice on the Delivery Day (D) stating the owed amount to be paid on the following Clearing Day (D+1) and serves the purpose of documentation for all N2EX members. The invoice is made available through Condicto Clearing Station as a report and as an e-mailed PDF file. The Invoice contains details, in addition to the total amount to be paid, which need to be included in the payment, some of the important details are:

- Clearing Account Number – this identifies the member and consists of a unique ID given to the member in N2EX systems.
- Invoice Number – this identifies the Invoice and is used for reconciliation purposes by N2EX.

As stated in the Clearing Rules, payment must be initiated by the member via their respective settlement bank within the pay-in deadline at 11:00 UK London time. The payment can originate from any bank account at the members own discretion, but the bank account must be in compliance with the requirements in section 1.1 in the Settlement Bank agreement. The requirements are:

“In order to fulfill these criteria the settlement bank must be a CHAPS member, or connected to CHAPS, as well as being able to handle MT 101, MT 940, MT 941 and MT 942 SWIFT messages. The MT 942 SWIFT messages must be sent by the settlement bank and received by NASDAQ OMX Stockholm AB at 11:03 and 14:33 UK London time all clearing days”

With a bank account fulfilling all necessary requirements, the member initiates the transaction.

Through CHAPS, the payment is ensured to be a fast transaction and shall be promptly received by N2EX. If no errors or delays occur, the payment will be reconciled and the Invoice changes status from “Invoiced” to “Paid” at approximately 11:15 UK London time.

The reconciliation process involves several messages between Nordea Bank Finland Plc., London Branch, Nordea Bank Oslo, and N2EX. The configuration is that Nordea Bank Finland Plc., London Branch sends a SWIFT MT942 to Nordea Bank Oslo who in turn converts the file to EDIFACT FINSTA and sends this to N2EX. N2EX will automatically read the contents of the FINSTA file and update the Invoice status in Condico to “Paid”.

Status Paid in Condico concludes the Invoice and the member’s payment obligations for Delivery Day (D) are fulfilled.

3.2.2 Net seller

The EoD process performed at the end of each Delivery Day generates a Self Billing Invoice for member who held contracts with a net sell amount the Last Delivery Day. The Self Billing Invoice states the amount of which the member is owed by N2EX and is due on D+3. The Self Billing Invoice is made available in the Condico Billing Reports as well as it is sent to the respective members as a PDF file.

The payment is processed on D+3 at approximately 12:00 UK London time and N2EX will reconcile the settlement account to make sure that the payments add up to the pay-ins from D+1. If there are any inconsistencies, N2EX investigates and may take appropriate action at its own discretion towards any parties involved

All transactions are incorporated in an EDIFACT PAYMUL message sent from N2EX to Nordea Bank Oslo. Nordea Bank Oslo performs validity checks on a security key as well as a syntax check of the message. When the PAYMUL has been verified OK, a positive EDIFACT CONTRL message is returned to N2EX as confirmation of the payments. After the CONTRL message, Nordea assumes responsibility of the payment and the execution of such. Nordea Bank Oslo converts the file to SWIFT MT101’s, one per transaction, and sends these to Nordea Bank Finland Plc., London Branch where the payment is executed. Payment is completed as debits of N2EX settlement account and credits to the pre-defined member bank accounts.

Once the payments have been initiated from the N2EX settlement account the monetary amounts are guaranteed to be in the member’s bank account through CHAPS.

3.2.3 Fees and miscellaneous

Fees are paid from the members to N2EX charges account. At the due date of the Fee Invoice, the member initiates the payment and N2EX reconciles the payments in Condico Clearing Station as with

any other invoice. Paid invoices are marked as "Paid" and unpaid invoices are subject to investigation.

3.3 Settlement Cycle

The following list depicts the process if broken down to an isolated singular cycle:

D+1

- Invoice is issued to net seller on Delivery Day
- Invoice is payable on D+1
- Self Billing Invoice is issued to net buyer on Delivery Day
- Self Billing Invoice is payable/will be executed by N2EX on D+3
- At approximately 04:00 N2EX receives FINSTA based on SWIFT MT940. This states the opening account balance on N2EX settlement account
- At 11:00 UK London time on D+1, the Invoice is due and payment must be initiated by the member
- At approximately 11:15, N2EX receives FINSTA based on SWIFT MT942. This states the intra-day transactions to and from the N2EX settlement account. Occurs every day
- N2EX reconciles payments with invoices. Payments are mapped to invoices in Condicto and the invoices are marked as Paid. Unpaid invoices/missing payments are subjected to follow-up according to business routines

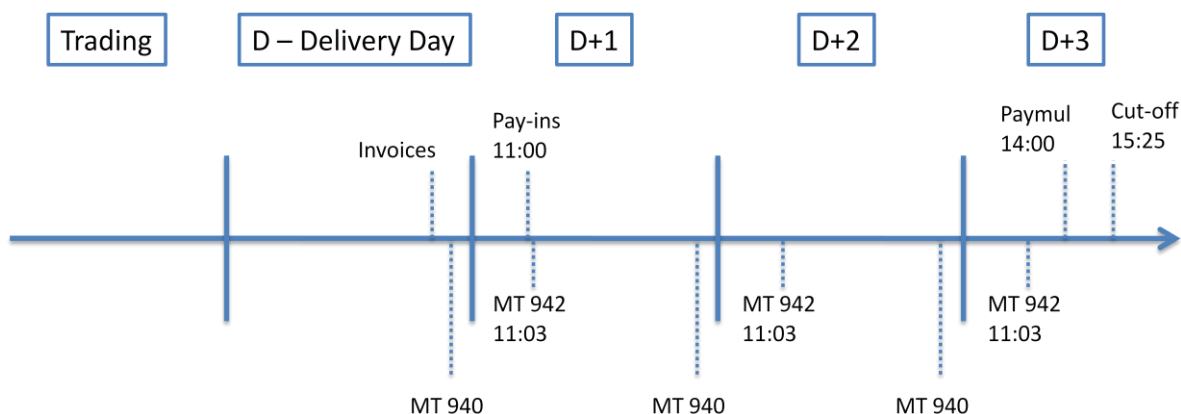
D+2

- At approximately 04:00 N2EX receives FINSTA based on SWIFT MT940 for settlement account
- At approximately 11:15, N2EX receives FINSTA based on SWIFT MT942 for settlement account

D+3

- At approximately 04:00 N2EX receives FINSTA based on SWIFT MT940 for settlement account
- At approximately 11:15, N2EX receives FINSTA based on SWIFT MT942 for settlement account
- At 12:00, according to due Self Billing Invoices, N2EX dispatch a PAYMUL file to Nordea Bank Oslo who in turn convert the file to SWIFT MT101 to Nordea Bank Finland Plc., London Branch where payments to members from N2EX settlement account are immediately executed. The PAYMUL file can be withheld until 14:00 in the event of any default situations.
- After the payment has been executed, a reconciliation process will start. In short, the total amount in the transactions from N2EX D+3 shall equal the amount in the transactions to N2EX D+1

The Business Process is based on the Settlement Schedule as depicted below.



* Time refers to UK Time

3.4 Cash collateral account

The cash collateral account is part of the settlement cycle.

No later than 06:00 UK London time, a SWIFT MT940 stating the Opening Account Balance of the cash collateral account, must be sent from the respective settlement banks to Nordea Bank Oslo. Nordea Bank Oslo will convert the MT940 to EDIFACT FINSTA and send this immediately to N2EX, where the account balance in Condico will be reflected.

At 11:03 and 14:33 UK London time, the settlement bank will initiate the sending of a SWIFT MT942. This message contains intra-day transaction information on the specified cash collateral account and will be especially important pertaining members with margin call exceeding their cover from Letter of Credit. As stated in the Clearing Rules, a member with a deficient margin cover must initiate a cash transaction to their cash collateral account within 11:00 UK London time. The MT942 at 11:03 will then confirm any transactions that have taken place in the account on any given Clearing Day.

The MT942 at 14:33 will confirm that any additional collateral required due to the Intra-day margin call or any lacking or lagging transactions from 11:03 have taken place, and serve an important purpose for N2EX Risk Management.

The message flow along with their contents will be closely monitored by N2EX and reconciled on a regular basis.

Movements in the market such as prices and member positions affect the total daily margin call. Thus, it may also be necessary that N2EX releases funds from a specific member's cash collateral account. This will be handled depending on a request-only basis.

The member contacts N2EX with a written request from template for release of funds.

The request must be signed by authorized personnel, and or initiated by authorized personnel.

The request will be handled by Clearing Operations but is pending approval from N2EX Risk Management. The processing can result in a delay of up to one Clearing Day, but requests will be handled promptly when received.

3.5 Bank accounts

The following bank accounts are set up in the name of the clearing house on behalf of N2EX in Nordea Finland Ltd, London Branch for handling payments in and out:

NOTE! Not to be confused with the settings and requirements for sending MT940/MT942 for the Cash Collateral Account.

Bank Details:

- Bank Name: Nordea Bank Finland PLC, London Branch
- Branch Sort Code: 40-48-78
- SWIFT BIC Code: NDEAGB2L

Settlement Account/Main Account:

- Purpose: Settlement transactions (in/out)
- Account owner: Nasdaq OMX Stockholm AB
- Account Number: 44521301
- Currency: GBP
- IBAN account number: GB55NDEA40487844521301

Charges Account for fees and miscellaneous:

- Purpose: Fees and miscellaneous transactions
- Charges Account Number 44521302
- Currency GBP
- IBAN account number: GB28NDEA40487844521302

3.6 Exception Handling

Exception handling routines are in place and cover all affected areas and possible scenarios. These include but are not limited to the following scenarios:

- Technical problems with bank communication
- Errors in message flow
- Human error
- Cancellation of invoice
- Correction of invoice
- Incorrect amount paid
- Problems with reconciliation of payments
- Payment lacks invoice number
- Payment different from invoice amount (both higher and lower)
- Differences in spelling in payments
- Cancellation of paid or partly paid invoice