

MFSA

MALTA FINANCIAL SERVICES AUTHORITY

BANKING RULES

*BANKING RULE ON 'PAYMENT COMMITMENTS'
UNDER THE DEPOSITOR COMPENSATION SCHEME REGULATIONS
(S.L. 371.09)*

INTRODUCTION

1. In terms of regulation 42 (1) and (2) of the Depositor Compensation Scheme Regulations, Subsidiary Legislation 371.09 ('the Regulations') under the Banking Act, the competent authority ('the authority'), as defined in regulation 2 of the Regulations, is empowered to issue Banking Rules to credit institutions. In compliance with Article 4 (10) of the Banking Act, Banking Rules and any amendment or revocation thereof, shall be officially communicated to credit institutions and the authority shall make copies thereof available to the public.
2. This Rule on Payment Commitments towards the Depositor Compensation Scheme (the Scheme) is made pursuant to regulations 23 (3), 25 (11) and 25 (12) of the Regulations and shall be read in conjunction with EBA Guidelines EBA/GL/2015/09 on payment commitments under Directive 2014/49/EU on deposit guarantee schemes.

SCOPE AND APPLICATION

3. This Rule establishes:

the modalities to be adopted by members of the Scheme concerning the provision of Payment Commitments to the Scheme;

the type of assets ('eligible assets') which may be accepted by the Scheme as collateral for Payment Commitments; and

the 'valuation haircuts' by which the market value of assets comprising collateral for Payment Commitments, is to be discounted.

DEFINITIONS

4. For the purpose of this Rule, the definitions contained in regulation 2 of the Regulations shall apply; and:

"Eligible assets" shall have the meaning assigned in paragraphs 6, 7 and 8 of this Rule;

"Related Party" shall *mutatis mutandi* have the meaning assigned by the International Accounting Standard 24 issued by the International Accounting Standards Board and by any amendment, modification or substitution of the said standard.

PAYMENT COMMITMENTS

5. When a member commits to a payment contribution, the said member and the Scheme shall enter into a written agreement entitled 'Payment Commitment Arrangement', as provided in Appendix 1 of this Rule, or in such amended version thereof.

ELIGIBLE ASSETS

6. Save as provided for in paragraphs 7 and 8 of this Rule, assets shall be accepted as collateral for Payment Commitments on condition that such assets are:
 - (a) Low-risk, including cash balances held with credit institutions;
 - (b) Free and unencumbered of any third party rights;
 - (c) Denominated in Euro (€).
7. Debt securities shall not be accepted as collateral for Payment Commitments when the issuer of such debt securities is a related party of the member providing the Payment Commitment.
8. Cash balances held with credit institutions shall not be accepted as collateral for Payment Commitments when such balances:
 - (a) Are held with a related party of the member providing the Payment Commitment;
 - (b) Are held with a credit institution having a long term credit rating of less than BBB;
 - (c) Have a maturity period which exceeds the applicable time period referred to in regulation 13 (2) of the Regulations.

VALUATION HAIRCUTS

9. The value of assets provided as collateral for Payment Commitments shall be the market value of such assets, discounted in accordance with such 'Valuation Haircuts', established by the European Central Bank for the implementation of the Euro System Monetary Policy as may be amended from time to time, to the extent that is compatible with the Regulations and this rule. Provided that such haircuts shall not be applied when the collateral is provided by way of cash balances denominated in €. The link to the general documentation providing for such Valuation Haircuts shall be made available on the website of the Scheme.
10. The Scheme shall ensure that the value of assets provided as collateral for Payment Commitments is reviewed regularly in accordance with paragraph 9 of this Rule. The Scheme shall require members to ensure that the value of the assets provided as collateral is at least equal to the value of the maximum amount of Payment Commitment which may be provided in accordance with regulation 25 (8) of the Regulations.

PLEDGING OF LOW-RISK ASSETS AS COLLATERAL FOR PAYMENT COMMITMENTS

11. The pledging of assets as collateral for Payment Commitments shall be effected:
- (a) In the case of foreign securities, by means of a Tripartite Pledge Agreement in the form of the draft agreement in Appendix 2 of this Rule, or in such other amended version thereof, as shall be determined by the Scheme.
 - (b) In the case of local securities or cash balances held with credit institutions in Malta, by means of a Pledge Agreement in the form of the draft agreement in Appendix 3 of this Rule, or in such amended version thereof, as shall be determined by the Scheme.
 - (c) In the case of cash balances held with credit institutions not established in Malta, by means of a Pledge Agreement in the form of the draft agreement in Appendix 3 of this Rule, or in such amended version thereof as shall be determined by the Scheme:

Provided that the member providing such pledge shall procure and provide at his own expense, a legal advice for the benefit of the Scheme, certifying that the said Pledge Agreement satisfies unconditionally the requirement of this Rule.

ENTRY INTO FORCE

12. This Rule shall be deemed to have entered into force on 1 January 2016.

APPENDIX 1

Payment Commitment Arrangement

AN AGREEMENT entered into this the day of, 20.... (the “**Payment Commitment Arrangement**”)

BETWEEN:

1. The Depositor Compensation Scheme established in terms of the DCS Regulations (the “**DCS**”);

and

2., a credit institution licensed under the Laws of Malta and having its registered office situated at (the “**Bank**”);

(together sometimes referred to as the “**Parties**” and each a “**Party**”).

WHEREAS:

The Bank is a credit institution participating in the Depositor Compensation Scheme (DCS) established under the DCS Regulations.

Pursuant to the DCS Regulations, a member participating in the DCS is required to pay contributions to the DCS.

In line with the DCS Regulations and the European Banking Authority’s Guidelines on payment commitments (EBA/GL/2015/09) (the “**EBA Guidelines**”), the DCS has determined that a portion of the Bank’s contribution to the DCS may be provided by means of a payment commitment, subject to such limitations as set out in the DCS Regulations.

Without prejudice to the provisions of the DCS Regulations and any applicable Banking Rule issued thereunder, the Parties wish to enter into this Payment Commitment Arrangement to provide for the terms and conditions of the payment commitment of the Bank.

IT IS HEREBY AGREED THAT:

INTERPRETATION

1. In this Payment Commitment Arrangement reference to the Parties includes reference to their lawful successors.
2. Capitalised terms used in this Payment Commitment Arrangement have the following meanings attributed thereto:

“Banking Rules” means the Banking Rules which may be issued by the competent authority under the Banking Act for the purposes of the DCS Regulations;

“DCS Regulations” means the Depositor Compensation Scheme Regulations, 2015 (Legal Notice 383 of 2015) as the same may be amended from time to time or any successor law or regulation;

“Financial Collateral Arrangement” means a security financial collateral arrangement or a title transfer financial collateral arrangement entered into for the purposes of securing payment by the Bank to the DCS of the Payment Commitment Amount;

“Payment Commitment Amount” means the sum set out in Annex 1 hereto, as the same may be amended, varied or supplemented from time to time or as may otherwise be determined by the DCS from time to time in accordance with the DCS Regulations and any applicable Banking Rules;

“Payment Request Notice” means a notice sent by the DCS to the Bank, substantially in the form set out in Annex 2 hereto, requesting payment of the Payment Commitment Amount in full or in part;

“Working Day” means any day on which banks are open for business in Malta.

3. In this Payment Commitment Arrangement, unless the context otherwise requires, any reference to the singular shall include the plural and vice versa, the use of the masculine pronoun shall include the feminine, the use of the neutral pronoun shall include the masculine or the feminine as the case may be and any reference to any law or regulation having the force of law or any section thereof includes reference to any modification thereto or re-enactment of such law or regulation having the force of law for the time being in force.
4. The headings in this Payment Commitment Arrangement are used and inserted for convenience only and shall be ignored in the interpretation of this Payment Commitment Arrangement.
5. To the extent that there is any conflict between the provisions of this Payment Commitment Arrangement on the one hand and the DCS Regulations and/or the Banking Rules on the other, the Payment Commitment Arrangement shall be

interpreted in a manner which is consistent with the provisions of the DCS Regulations and the Banking Rules.

PAYMENT COMMITMENT

6. Saving the provisions of Regulation 25 (10) of the DCS Regulations, the Bank hereby irrevocably and unconditionally binds itself to pay the DCS the Payment Commitment Amount in cash payment at any time upon first demand of the DCS without undue delay and at any rate no later than two (2) Working Days from the receipt by the Bank of the Payment Request Notice/s sent by the DCS. The payment period shall be reduced to one (1) Working Day if early intervention or crisis management measures are applied to the Bank under the Recovery and Resolution Regulations, 2015 (L.N. 301 of 2015).
7. If the Bank fails to pay any amount payable by it under this Payment Commitment Arrangement on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment at the rate of twelve per cent (12%) per annum, accruing on a daily basis from the date on which the amount concerned became due. Any interest accruing under this Clause 7 shall be herein referred to as “**Default Interest**” and shall be immediately payable by the Bank on demand by the DCS.
8. The DCS may request payment by the Bank of part or all of the Payment Commitment Amount at any time and in its sole and absolute discretion and the DCS may send multiple Payment Request Notices from time to time.
9. The Bank may not reduce the Payment Commitment Amount, or terminate this Payment Commitment Arrangement, without the prior written consent of the DCS.
10. The Bank is obliged to immediately inform the DCS in writing of:
 - a. any event affecting the Bank’s ability to honour its obligations hereunder;
 - b. any event affecting the DCS’s ability to enforce its rights under this Payment Commitment Arrangement;
 - c. any event affecting the DCS’s ability to enforce its rights under the Financial Collateral Arrangement;
 - d. any downgrades of the Bank by external credit rating agencies;
 - e. any material prudential or business changes; or
 - f. any deterioration in the value of the low-risk asset/s provided as collateral by the Bank to the DCS under the Financial Collateral Arrangement.
11. In order to secure the obligations undertaken in this Payment Commitment Arrangement, the Bank agrees to enter into a Financial Collateral Arrangement with the DCS substantially in the form supplied to it by the DCS. The Financial Collateral Arrangement shall secure payment by the Bank to the DCS of the

Payment Commitment Amount (as the same may be amended, varied or supplemented from time to time or as may otherwise be determined by the DCS from time to time in accordance with the DCS Regulations and any applicable Banking Rules), together with any applicable Default Interest, and all and any fees and/or expenses which the DCS may hereafter incur in the protection or enforcement of its respective rights hereunder.

SET-OFF & WAIVER OF RIGHTS

12. In addition to the rights conferred by law, the DCS shall be entitled, in terms of the provisions of the Set-Off and Netting on Insolvency Act (Chapter 459 of the Laws of Malta), to set-off against monies due to it under this Payment Commitment Arrangement all or any monies from time to time due by the DCS to the Bank, where applicable.

For the purposes of the foregoing:

- a. if the obligations are in different currencies, the DCS may convert either obligation at a market rate of exchange in its usual course of business for the purposes of the set-off; and
 - b. if either obligation is unliquidated or unascertained, the DCS may set-off in an amount estimated by it in good faith to be the amount of that obligation.
13. However, it is expressly agreed that the liability of the Bank under this Payment Commitment Arrangement shall in no way be extinguished, discharged or reduced or in any way affected by any right of set-off or counter-claim or any right whatsoever against the DCS and the Bank is hereby expressly waiving all rights (including any and all rights of action) the Bank may have against the DCS until after payment in full of the Payment Commitment Amount to the satisfaction of the DCS.

NOTICES

14. Unless otherwise required by law, notices must be sent by registered mail and a notice shall be deemed to have been served two (2) Working Days following the date on which it was posted. In providing such service it shall be sufficient to prove that the notice was addressed properly and posted to such address as may be notified to the other Parties for this purpose.

For the purposes of this Payment Commitment Arrangement, the proper addresses of the Parties are:

To the Bank:

Name: _____

Attention: _____

Address: _____

To the DCS:

Name: _____

Attention: _____

Address: _____

Provided that each Party may at any time change such address by giving five (5) Working Days' prior written notice to the other Parties.

GOVERNING LAW & JURISDICTION

15. This Payment Commitment Arrangement and any non-contractual obligations between the Parties arising out of or in connection with this Payment Commitment Arrangement shall be governed by and construed in accordance with the Laws of Malta and, in relation to any legal action or proceedings arising out of or in connection with this Payment Commitment Arrangement, the Bank hereby and for the benefit of the DCS irrevocably submits to the exclusive jurisdiction of the courts of Malta.

16. Nothing in this clause will restrict the DCS from taking legal action or proceedings in any other jurisdiction.

Signed:

Name:
Duly authorised
For and on behalf of
[Name of Bank]

Name:
Duly authorised
For and on behalf of
THE DEPOSITOR COMPENSATION SCHEME

**APPENDIX 1
ANNEX 1**

Payment Commitment Amount

“Payment Commitment Amount” means:

<i>Date</i>	<i>Sum in Words</i>	<i>Sum in Figures</i>	<i>Authorised Signature of DCS</i>	<i>Authorised Signature of Bank</i>

APPENDIX 1
ANNEX 2
Payment Request Notice

To: [The Bank]:
[Address]:

(the “**Bank**”)

[Date:]

Dear Sirs,

Payment Commitment Arrangement dated [.....] entered into between the Bank and the Depositor Compensation Scheme (the “Payment Commitment Arrangement”)

We refer to the Payment Commitment Arrangement. Terms defined in the Payment Commitment Arrangement have the same meaning when used in this Payment Request Notice.

We hereby demand immediate payment of the sum of [.....].

Payment should be made to the following account:

Name: **
Account Number: **
Bank: **

Yours faithfully,

(Authorised Signatory)

(Authorised Signatory)

For and on behalf of the
Depositor Compensation Scheme

APPENDIX 2

Tripartite Pledge Agreement

THIS PLEDGE AGREEMENT (the “**Agreement**”) is made the day of, 20..... .

BETWEEN:

1., a credit institution licensed under the Laws of Malta and having its registered office situated in (the “**Bank**” or the “**Pledgor**”);

and
2. The Depositor Compensation Scheme established in terms of the DCS Regulations (as defined below) (the “**DCS**” or the “**Pledgee**”);

and
3. The Malta Stock Exchange plc, of “Borża ta’ Malta”, Castille Place, Valletta, Malta, a public limited company with the registration number C42525, represented hereon by [.....], duly authorized for this purpose (the “**Custodian**”).

(together sometimes referred to as the “**Parties**” and each a “**Party**”).

WHEREAS:

The Pledgor is a credit institution participating in the Depositor Compensation Scheme established under the DCS Regulations.

Pursuant to the DCS Regulations, a member participating in the DCS is required to pay contributions to the DCS.

In line with the DCS Regulations and the EBA Guidelines, a portion of the Bank’s contribution to the DCS may be provided by means of a payment commitment, subject to such limitations as set out in the DCS Regulations.

The Pledgor has entered into the Payment Commitment Arrangement with the DCS.

In order to secure the obligations under the DCS Regulations and those undertaken by the Pledgor in the Payment Commitment Arrangement, the Pledgor has undertaken to enter into this Agreement with the DCS.

The Pledgor and the Custodian have entered into the Custody Agreement, whereby the Custodian acts as a custodian for the Pledgor and maintains one or more cash and securities custody accounts for the Pledgor.

The Pledgor has requested that the Custodian create one or more segregated custody accounts with the Custodian held in the name of the Pledgor in which to hold certain assets in respect of which the Pledgor has agreed to create a pledge in favour of the Pledgee pursuant to this Agreement in order to secure all present and future obligations of the Pledgor under the Secured Obligations.

The pledge to be constituted by and under this Agreement shall constitute a “financial collateral arrangement” under the Financial Collateral Arrangements Regulations.

The Parties are therefore entering into this Agreement so as to establish and regulate in detail the terms and conditions under which the Pledge shall be created and under which the release and termination of the Pledge shall be effected.

IT IS HEREBY AGREED THAT:

INTERPRETATION

1. In this Agreement reference to the parties includes reference to their lawful successors.
2. Capitalised terms used in this Agreement have the following meanings attributed thereto:

“**Accounts**” shall have the meaning set out in Clause 6;

“**Banking Rules**” means the banking rules which may be issued by the competent authority under the Banking Act for the purposes of the DCS Regulations.

“**Credit Institutions (Reorganisation and Winding-Up) Regulations**” means the Credit Institutions (Reorganisation and Winding-Up) Regulations (Subsidiary Legislation 371.12 of the Laws of Malta), as the same may be amended from time to time, or any successor law or regulation;

“**Custody Agreement**” means the agreement dated entered into between the Pledgor and the Custodian;

“DCS Regulations” means the Depositor Compensation Scheme Regulations, 2015 (Legal Notice 383 of 2015), as the same may be amended from time to time, or any successor law or regulation;

“Depositor Compensation Scheme” or **“DCS”** means the Depositor Compensation Scheme established under the DCS Regulations;

“Discharge Letter” means a letter signed by the Pledgee and substantially in the form set out in Appendix A;

“EBA Guidelines” means the European Banking Authority’s Guidelines on payment commitments (EBA/GL/2015/09);

“Eligible Assets” means such property as is allowed to be given as collateral under the DCS Regulations and deemed to be acceptable by the Pledgee hereunder;

“Financial Collateral Arrangements Regulations” means the Financial Collateral Arrangements Regulations (Subsidiary Legislation 459.01 of the Laws of Malta) as may be amended from time to time, or any successor law or regulation;

“Instructions” means, subject to the provisions of clauses 23 and 24, any instructions given or purported to be given by the Pledgee or the Pledgor, as applicable, under this Agreement, in writing or by such other means as the parties may agree, in the format and containing the information reasonably required by the Custodian, and signed or given or purported to be signed or given by any one of the persons notified to the Custodian from time to time as authorised to give such instructions on behalf of the Pledgee or the Pledgor, as applicable;

“Payment Commitment Amount” shall have the meaning as set out in the Payment Commitment Arrangement;

“Payment Commitment Arrangement” means the payment commitment arrangement dated [.....] entered into between the Pledgor and the DCS;

“Pledge” means the pledge as created under this Agreement.

“Pledged Assets” means:

- (i) the Accounts including all present and future account balances in the Accounts; and
- (ii) all assets of any kind in the Accounts and all ancillary rights and claims of the Pledgor in and to the Accounts including any renewal, re-designation or replacement of the Accounts; and
- (iii) any and all contractual claims or other rights of the Pledgor against the Custodian arising out of or in connection with the Custody Agreement;

“**Recovery and Resolution Regulations**” means the Recovery and Resolution Regulations 2015 (Legal Notice 301 of 2015), as the same may be amended from time to time, or any successor law or regulation;

“**Resolution Committee**” means the committee responsible for recovery and resolution under the Recovery and Resolution Regulations and as established under the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);

“**Secured Obligations**” means the present and future obligations of the Pledgor, absolute or contingent, due or to become due, towards the DCS, including without limitation any sums due by the Pledgor to the DCS under the DCS Regulations and any applicable Banking Rules and/or under the Payment Commitment Arrangement, as the same may be amended, varied or supplemented from time to time, or as may otherwise be determined by the DCS from time to time in accordance with the DCS Regulations and any applicable Banking Rules, and whether by way of principal, interest, default interest or otherwise, and all and any fees and/or expenses which the DCS may hereafter incur in the protection or enforcement of its rights; and

“**Working Day**” means any day on which banks are open for business in Malta.

3. In this Agreement, unless the context otherwise requires, any reference to the singular shall include the plural and vice versa, the use of the masculine pronoun shall include the feminine, the use of the neutral pronoun shall include the masculine or the feminine as the case may be and any reference to any law or regulation having the force of law or any section thereof includes reference to any modification thereto or re-enactment of such law or regulation having the force of law for the time being in force.
4. The headings in this Agreement are used and inserted for convenience only and shall be ignored in the interpretation of this Agreement.
5. To the extent that there is any conflict between the provisions of this Agreement on the one hand and the DCS Regulations and/or the Banking Rules on the other, this Agreement shall be interpreted in a manner which is consistent with the provisions of the DCS Regulations and the Banking Rules.

SEGREGATED ACCOUNTS

6. The Custodian agrees to create, in terms of and in accordance with the provisions of the Custody Agreement:
 - (a) one or more segregated custody cash accounts in its books held on custody for and on behalf of the Pledgor to hold cash of the Pledgor therein under custody, the details of which are set out in Appendix 2 Annex B hereto (as such details may be amended from time to time) (each a “**Cash Account**” and “**Cash Accounts**” shall be construed accordingly); and

- (b) one or more segregated custody securities accounts in its books held on custody for and on behalf of the Pledgor, the details of which are set out in Appendix 2 Annex B hereto (as such details may be amended from time to time) (each a “**Securities Account**” and “**Securities Accounts**” shall be construed accordingly),

(the “Cash Accounts” and the “Securities Accounts” are sometimes referred to herein as the “**Accounts**”).

In Appendix 2 Annex B hereto, the Account Numbers are being indicated for identification purposes. Any administrative or operational amendment or change to an Account Number shall have no effect on the validity and enforceability of the Pledge over the Pledged Assets created under this Agreement.

- 7. The maintenance and operation of the Accounts and the holding in safe-keeping of Eligible Assets in such Accounts shall be governed by the Custody Agreement (an extract copy of which the Pledgee hereby acknowledges to have received) which shall continue to apply fully to and to govern such maintenance, operation and holding and the custody services and relationship between the Pledgor and the Custodian created thereby, without prejudice to the rights of the Pledgee as pledgee hereunder with respect to the Pledged Assets. For the avoidance of doubt, it is hereby acknowledged and agreed between the parties that, without prejudice to the rights of the Pledgee as pledgee hereunder with respect to the Pledged Assets (including, without limitations, its right to give Instructions to the exclusion of the Pledgor in terms of the paragraph entitled ‘Instructions’, clauses 23 and 24 hereof) and without prejudice to the rights and obligations expressly contracted between the Custodian and the Pledgee hereunder:
 - (i) the maintenance and operation of the Accounts by the Custodian and the holding in safe-keeping or custody of the Eligible Assets in such Accounts by the Custodian, and the liability of the Custodian therefor, will be made and regulated by and in accordance with the provisions of and subject to the conditions and limitations of such Custody Agreement as well as applicable law; and
 - (ii) the liability of the Custodian for failure to perform its obligations under the Custody Agreement or otherwise in respect of the safe-keeping or custody of the assets held in the Accounts and for any loss of or other matters affecting such assets will continue to be subject to the provisions, conditions and limitations of the Custody Agreement and, in cases where any rights or claims of the Pledgor against the Custodian arising under or pursuant to the Custody Agreement are exercised by the Pledgee through any mandate by the Pledgor hereunder, or through the enforcement of the Pledge by the Pledgee hereunder or otherwise pursuant to any other provision hereof, the exercise of such rights and claims by the Pledgee shall continue to be subject to the provisions, rights, conditions and limitations of the Custody Agreement as if such rights and claims were being exercised by the Pledgor itself.

8. This Agreement shall apply only to the Accounts and not to any other accounts as may be maintained directly or indirectly by the Custodian (whether in its own name, or in the name of the Pledgor or otherwise) for and on behalf of the Pledgor from time to time.
9. Until the termination of this Agreement or the Custodian's receipt of the Discharge Letter:
 - (i) the Custodian shall be entitled to terminate the Custody Agreement in accordance with its terms, provided that it shall in such case send a copy of the notice of termination required to be sent to the Pledgor under the Custody Agreement to the Pledgee (at the same time that it sends such notice to the Pledgor in terms of such Custody Agreement) and thereafter the provisions of Clause 23 shall continue to apply to the Pledged Assets, and for the avoidance of doubt, if no Discharge Letter has been received by the Custodian at the relevant time, the Custodian shall, following such notice of termination of the Custody Agreement and to the extent allowed by law or regulations, shall continue to act solely in accordance with Instructions given by the Pledgee (in accordance with and subject to Clause 23 hereof) with respect to the delivery or transfer of the Pledged Assets held by it, and the Custodian shall not be in any way and to any extent responsible for any loss, damage or prejudice suffered by the Pledgor in consequence of the Custodian's compliance with such Instructions and the Pledgor shall keep and hold the Custodian fully indemnified and harmless from and against any actions, proceedings, claims, damages, costs, expenses and liabilities made against or incurred by it in so doing:

Provided that in all cases the Pledgee shall give such Instructions as aforesaid to the Custodian by not later than (a) the effective date of termination of the Custody Agreement (in accordance with its terms) and (b) thirty (30) Working Days from the date of delivery of the copy of the notice of termination of the Custody Agreement to the Pledgee, whichever is the later, and should the effective date of termination of the Custody Agreement (as provided in such Custody Agreement) occur before the receipt of such Instructions by the Custodian, the Custodian shall continue to hold the Pledged Assets in the Accounts under its custody, under the same terms and conditions (including those relating to remuneration of the Custodian) of the Custody Agreement (but subject to the pledge created hereby), pending receipt of Instructions from the Pledgee within the time-limits aforesaid;
 - (ii) save for the instance of the termination of the Custody Agreement (which is regulated by paragraph (i) above), the Custodian shall not close any Accounts, without the Pledgee's prior written consent.
10. For the avoidance of doubt, the Pledgee shall have no responsibility for the payment of any fees, charges or costs of any kind to the Custodian in connection with the Accounts or this Agreement. Any such fees or charges shall be paid by the Pledgor to the Custodian.

11. The Pledgor shall on demand pay, on a full indemnity basis, all costs, charges, fees and expenses in any way incurred by the Custodian in or incidental to the execution and performance by the Custodian of this Agreement.
12. The Custodian hereby waives to the fullest extent by law any and all right/s of retention or right/s of pledge or any other right/s whatsoever, including without limitation right/s of set-off and close-out netting, which it might have by operation of law or by contract over any or all of the Pledged Assets.

PLEDGE

13. The Pledgor hereby pledges to the Pledgee, and the Pledgee accepts, each of the Pledged Assets as security for the due and punctual payment and performance of the Secured Obligations. It is agreed that each time the Pledgor transfers any Eligible Asset to the Accounts, the Pledgor is doing so subject to the terms herein and is thereby confirming this Pledge.
14. In addition to the rights conferred upon the Pledgee by law and by this Agreement, this Pledge expressly confers upon the Pledgee the right to obtain payment with privilege over the Pledged Assets in accordance with Section 2009 (a) of the Civil Code (Cap 16 of the Laws of Malta) as well as the right of retention over the Pledged Assets until such time as the Secured Obligations have been fully and finally discharged.
15. The Secured Obligations shall also include all and any fees, costs and/or expenses which the Pledgee may hereafter incur in the protection or enforcement of its security hereunder.
16. Until the termination of this Pledge, any mandate or other instruction given to the Custodian by the Pledgor under the Custody Agreement relating to the Accounts (to the extent not already carried out by the Custodian prior to the date of this Agreement) is suspended to the extent stated herein. Provided that this sub-clause shall not apply to the instruction/s given to the Custodian by the Pledgor to appoint a sub-custodian as a sub-custodian of any assets held in the Accounts.
17. The Pledgee shall have no obligations in respect of the Pledged Assets, including any obligation to pay any interest amount or to transfer distributions to the Pledgor. The Pledgee shall have no liability to the Pledgor with respect to any acts or omissions by the Custodian in respect of the Pledged Assets contained therein.
18. This Agreement constitutes a “financial collateral arrangement” within the meaning of the Financial Collateral Arrangements Regulations.

ACKNOWLEDGEMENT OF PLEDGE AND CERTAIN COVENANTS

19. The Custodian hereby acknowledges, unconditionally and without reservation (save for what is provided herein) the Pledge constituted hereunder in respect of the Pledged Assets and confirms that it has not received notice of the interest of any

party other than the Pledgor and the Pledgee (“**Third Party Interest**”) in the Pledged Assets. The Custodian undertakes, until receipt of the Discharge Letter from the Pledgee, to notify, in so far as permissible by law or regulations, the Pledgee of any Third Party Interest of which the Custodian becomes aware.

20. The Custodian confirms and agrees that the Accounts shall be designated in its books as being subject to the Pledge.
21. The Custodian hereby covenants and agrees with the Pledgee that it shall not subject the Pledged Assets to any security interest, lien or right of set-off in favour of any third party.
22. Each of the Custodian and the Pledgor hereby covenants and agrees with the Pledgee not to make any amendment to, or grant any waiver or variation of the terms of the Custody Agreement without the prior written consent of the Pledgee: it being provided that the foregoing provisions of this Clause 22 shall not apply to (a) the Custodian’s right to vary the Fee Schedule included in the Custody Agreement in accordance with its terms; and (ii) changes to the Custody Agreement carried out with the prior written consent of the Pledgee.

INSTRUCTIONS

23. At all times prior to the Custodian’s receipt of the Discharge Letter, the Custodian shall, in relation to the Pledged Assets held (and eligible to be held) under custody of the Custodian pursuant to the Custody Agreement (a) act solely in accordance with Instructions given by the Pledgee, in accordance with the provisions of this Agreement, without any reference to or further authority from the Pledgor; and (b) not, without the Pledgee’s prior consent, accept or act on any Instructions from the Pledgor, notwithstanding any provisions to the contrary of the Custody Agreement, and shall not incur any liability whatsoever towards the Pledgor or any other person for so doing.
24. Following the Custodian’s receipt of the Discharge Letter, the Custodian shall, in relation to the Pledged Assets held (and eligible to be held) under custody of the Custodian pursuant to the Custody Agreement (a) act solely in accordance with the Instructions given by the Pledgor in accordance with the Custody Agreement without any reference to or further authority from the Pledgee; and (b) not accept or act on any Instructions from the Pledgee and shall not incur any liability whatsoever towards the Pledgee or any other person for so doing.

DISTRIBUTIONS AND INTEREST

25. Unless otherwise instructed by the Pledgee in writing, the Custodian shall credit all interest, dividends and other income distributions of any kind (but excluding monies derived from any redemption or sales or transfers or return of capital or return of principal on the Pledged Assets) received by the Custodian with respect to the Pledged Assets to such account/s as may be designated by the Pledgor to the Custodian in writing from time to time.

Provided that, notwithstanding the foregoing paragraph, and unless otherwise instructed by the Pledgee in writing, any proceeds derived from redemptions or sale or transfers of Eligible Assets, or from return of capital or return of principal sums therefrom, shall be credited to the Accounts and remain subject to the Pledge as created by this Agreement.

REPRESENTATIONS AND WARRANTIES

26. The Pledgor represents and warrants to the Pledgee that:

- a) the Pledgor is the sole owner of the Pledged Assets and that the said Pledged Assets are free from all and any encumbrances other than the special privilege created as a result of this Agreement;
- b) it has the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, this Agreement;
- c) the Pledge constitutes its legal, valid and binding obligation enforceable in accordance with its terms;
- d) all authorisations, regulatory approvals and third party consents required or advisable in connection with the entry into, performance, validity and enforceability of this Pledge have been obtained or effected and are in full force and effect;
- e) the entry into and performance by it of, and the transactions contemplated by, the Pledge does not and will not:
 - (i) conflict with any law or regulation or judicial or official order; or
 - (ii) conflict with its constitutional documents; or
 - (iii) conflict with any document which is binding upon itself or any of its assets;
- f) all rights arising from or in connection with the Pledged Assets are exercisable in the interest of the Pledgor and the Pledgee strictly in accordance with the terms of this Agreement and any applicable Laws and regulations; and
- g) this Agreement and all the terms and obligations herein contained are valid and binding on the Pledgor and there exist no limitations in any agreement to which the Pledgor is a party or in any applicable law which would hinder the performance of any of the obligations of the Pledgor hereunder.

27. The Pledgor also represents and warrants to and undertakes in favour of the Pledgee that the foregoing representations and warranties will be true and accurate throughout the duration of this Agreement with reference to the facts and circumstances subsisting from time to time.

COVENANTS

28. The Pledgor covenants and agrees with the Pledgee as follows: -

- a) Upon request of the Pledgee, to substitute the Eligible Assets provided as collateral when they fall due, when required by the Pledgee in its sole discretion or when the Eligible Assets no longer comply with the applicable requirements laid down in the DCS Regulations, any Banking Rules issued thereunder or the EBA Guidelines, so that the Secured Obligations are permanently secured by appropriate collateral;
- b) that for the duration of the Agreement the Pledgor, will not sell, assign, transfer, pledge or encumber in any other matter any of the Pledged Assets or allow any encumbrance on the Pledged Assets except with the prior written consent of the Pledgee;
- c) to top-up the Pledged Assets provided as collateral upon the request of the Pledgee in the event that the value of the Pledged Assets, after the haircut provided for in any applicable Banking Rule issued under the DCS Regulations and/or the EBA Guidelines, falls below the Payment Commitment Amount;
- d) to warrant and to defend the right, title and interest of the Pledgor and the Pledgee in and to the Pledged Assets against the claims and demands of all persons whomsoever;
- e) that the Pledgor will at all times remain the owner of the Pledged Assets.

DEFAULT EVENTS

29. For the purposes of this Agreement, a “**Default Event**” shall *ipso jure* occur under this Agreement with respect to the Pledgor without the need of any notice and without the need of any authorisation and/or confirmation from a competent court upon the occurrence of any one or more of the following events:

- a) failure by the Pledgor to pay the Payment Commitment Amount within the period provided under the Payment Commitment Arrangement when required to do so by the DCS;
- b) any of the Secured Obligations falls due or is expressed to fall due to be paid, performed or discharged and is not paid, performed or discharged (as the case may be) in full on the due date therefor;
- c) failure by the Pledgor (or failure to cause the Custodian) to substitute the Eligible Assets provided as collateral when they fall due, when required by the Pledgee in its sole discretion or when the Eligible Assets no longer comply with the applicable requirements laid down in the DCS Regulations, any Banking rules issued thereunder or the EBA Guidelines;

- d) failure by the Pledgor (or failure to cause the Custodian) to top-up the Pledged Assets provided as collateral upon request of the Pledgee, in the event that the value of the Pledged Assets, after the haircut provided for in any applicable Banking Rule issued under the DCS Regulations and/or the EBA Guidelines, falls below the Payment Commitment Amount;
- e) any representation or statement made or deemed to be made by the Pledgor in this Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;
- f) any breach by the Pledgor of: (i) any of the provisions of the DCS Regulations or of any applicable Banking Rule issued thereunder; or (ii) any of the provisions of this Agreement or the Payment Commitment Arrangement;
- g) suspension, restriction or withdrawal of the Pledgor's authorisation as a credit institution under the Banking Act or renunciation by the Pledgor of its authorisation as a credit institution under the Banking Act;
- h) the competent authority under the Banking Act has determined, pursuant to the provisions of the DCS Regulations, that in its view the Pledgor appears to be unable for the time being, for reasons which are directly related to its financial circumstances, to repay deposits covered by the DCS Regulations and the Pledgor has no current prospect of being able to do so;
- i) a judicial authority has made a ruling for reasons which are directly related to the Pledgor's financial circumstances and which has the effect of suspending the rights of depositors to make claims against the Pledgor;
- j) the Pledgor:
 - (i) becomes insolvent;
 - (ii) becomes unable or admits inability to pay its debts as they fall due or is deemed to be or declared to be unable to pay its debts under applicable law;
 - (iii) suspends or threatens to suspend making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
 - (iv) any corporate action, legal proceedings or other procedure or step is taken in relation to: (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, company recovery procedure or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise); or (b) a composition, compromise, assignment or arrangement with any creditor; or (c) the appointment of a liquidator, special controller, receiver, administrator, administrative receiver,

compulsory manager or other similar officer in respect of the Pledgor or any of its assets; or (d) the enforcement of any security interest over the Pledgor's assets; or (e) any analogous procedure or step is taken in any jurisdiction;

(v) becomes subject to "re-organisation measures" or "winding-up proceedings" (each term as defined in the Credit Institutions (Re-Organisation and Winding –Up Regulations);

(vi) any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction including without limitation any precautionary or executive garnishee order is issued in connection with any of the Account/s; or

(vii) the Pledgor ceases or threatens to cease to carry on its business;

- k) when the Pledgor ceases to be a member of the DCS; or
- l) the Custodian either (a) terminates the Custody Agreement or (b) the Pledgee receives a copy of notice of termination from the Custodian to the Pledgor.

REMEDIES

30. On simple notice in writing being served by the Pledgee to the Pledgor (and copying in the Custodian) stating that a Default Event has occurred and setting out the Default Event (the "**Notice of Default**"), the Pledgee may exercise in relation to any or all of the Pledged Assets, any or all of the rights and remedies possessed by it under this Agreement or granted to it by law or otherwise and in particular:

- a) apply any balances and any unappropriated cash then held as Pledged Assets in payment of any sums due to the Pledgee;
- b) demand that the Pledgor's right to receive any payment under or in connection with the Pledged Assets be, where applicable, assigned to the Pledgee in payment of the Secured Obligations or any part thereof in terms of Article 1968 (3) of the Civil Code (Cap. 16 of the Laws of Malta);
- c) exercise all rights relating to the Pledged Assets without limitation which in its sole and absolute discretion is deemed necessary to preserve the value thereof;
- d) dispose of all or any part of the Pledged Assets and set-off or apply the proceeds thereof towards reducing or in satisfaction or discharge of the Secured Obligations, in such manner and under such terms and conditions as the Pledgee may deem fit in accordance with the provisions of the Financial Collateral Arrangements Regulations;

- e) appropriate and acquire all or any part of the Pledged Assets and set-off or apply their value (determined as provided hereunder in this clause) towards reducing or in satisfaction or discharge of the Secured Obligations in accordance with the provisions of the Financial Collateral Arrangements Regulations;
 - f) apply to the Courts for the judicial auction of the Pledged Assets (whether in whole or in part) in accordance with the Maltese Civil Code and/or for the sale of the Pledged Assets (whether in whole or in part) to be carried out by means of a public broker or a bank or other banking institution to be appointed by the court in terms of Article 1970 of the Civil Code.
31. For the purposes of Clause 30 (e), to the extent that the Pledgee decides to exercise the rights and remedies of appropriation as set out in the Financial Collateral Arrangements Regulations, the value of the Pledged Assets for the purpose of the appropriation mentioned therein shall be the value of such Pledged Assets as agreed between the Pledgor and the Pledgee at any time (whether before or after the service of a Notice of Default) for the purposes of the said Clause 30 (e).
32. Failing such agreement within two (2) Working Days from the date of the service of the Notice of Default, the value of the Pledged Assets for the purpose of the appropriation mentioned therein shall be the amount which is the Pledgee's estimate of the net proceeds that would be realised on a sale of such Pledged Assets after deducting all reasonable costs, fees and expenses incurred in connection therewith, based on bid quotations in respect of the Pledged Assets of the relevant description (unless the Pledgee determines it to be unreasonably practicable to obtain such bid quotations), obtained as of such date or dates as the Pledgee thinks fit, in its sole and absolute discretion, from two or more brokers in the appropriate market for such assets of that description (as determined by the Pledgee).
33. In the case where the Pledgee decides to enforce the Pledge in terms of this section 'Remedies', it shall without delay give proper Instructions to the Custodian as are necessary for the exercise of such enforcement rights. It is hereby agreed by the Parties that the Custodian shall be unconditionally entitled to rely solely upon a Notice of Default received by the Custodian as aforesaid and to act on and comply with Instructions given by the Pledgee to it consequent thereto solely on the basis of such Notice of Default, without any reference to or further authority from the Pledgor and without any inquiry as to the justification, correctness, veracity or reasonableness of such Notice of Default or the right of the Pledgee to give the same, and without incurring any liability whatsoever towards the Pledgor for so doing.
34. If and to the extent that the Pledgee opts to sell or appropriate the Pledged Assets, the Pledgor hereby agrees that in the event that the sale or appropriation of the Pledged Assets in terms of this clause only makes commercial sense (in the sole discretion of the Pledgee) if so sold or appropriated in its entirety, then the Pledged Assets will be so sold and appropriated, notwithstanding the fact that the proceeds or value thereof will exceed the value of the Secured Obligations, provided that any excess proceeds over the value of the Secured Obligations recovered by the

Pledgee in the case of a sale or any excess value appropriated by the Pledgee shall be released or reimbursed in favour of the Pledgor.

35. The Pledgor shall not have any claim against the Pledgee in respect of any loss arising out of any such sale or appropriation in terms of this section 'Remedies', or any postponement thereof howsoever caused and whether or not a better price could or might have been obtained upon the sale of the Pledged Assets or any of them by deferring or advancing the date of such sale or appropriation or otherwise howsoever.
36. Upon any disposal by the Pledgee of the Pledged Assets, the purchaser shall not be bound to see or enquire whether the power of sale of the Pledgee has arisen, the sale shall be deemed for all purposes hereof to be within the power of the Pledgee and the receipt of the Pledgee for the purchase money shall effectively discharge the purchaser who shall not be concerned with the manner of application of the proceeds of sale or be in any way answerable therefor.
37. The Pledgee shall be entitled, at any time and as often as the Pledgee may deem appropriate, to delegate all or any of the rights, powers, remedies and discretions vested in it under and pursuant to this Agreement in such manner, upon such terms, and to such person or persons as the Pledgee may deem appropriate.
38. All reasonable costs and expenses incurred by the Pledgee in connection with the liquidation and/or application of any Pledged Assets will be payable, on demand, by the Pledgor.
39. These remedies are cumulative and are in addition to the remedies granted to the Pledgee under Maltese law and, in so far as it is necessary to do so, the Pledgor hereby irrevocably and unconditionally authorises the Pledgee by way of security, who accepts, to avail itself of all and any of the said remedies in protection of its rights.
40. The non-exercise or partial exercise or any delay in exercising by the Pledgee of any of its rights, powers or remedies under this Pledge, shall not imply or operate as a waiver thereof on the part of the Pledgee.

MANDATE BY WAY OF SECURITY

41. The Pledgor hereby irrevocably and unconditionally appoints and authorises the Pledgee by way of security, who declares to have an interest in this mandate and accepts the same as part of its security, as its attorney (with full power of substitution) and in its name or otherwise on its behalf to sign, seal, execute, deliver, perfect and do all agreements, instruments, acts and things which may be required or which the Pledgee shall reasonably think proper or expedient for carrying out any obligations imposed on the Pledgor hereunder or for exercising and giving effect to any of the powers hereby conferred or for giving to the Pledgee the full benefit of the security constituted hereunder and so that the appointments hereby made shall operate to confer on the Pledgee authority to do on behalf of the Pledgor anything which the Pledgor can lawfully do by an attorney. The Pledgor

ratifies and confirms and agrees to ratify and confirm any agreement, instrument, act or thing which such attorney or substitute may execute or do.

42. This is an irrevocable mandate granted by way of security in terms of Article 1887 (1) of the Civil Code (Cap.16 of the Laws of Malta). When applicable, the Pledgee also reserves the right to register such mandate or any other mandate by way of security granted under this Agreement in a public register.

Provided that the Pledgee shall have the option but not an obligation to utilise such Power of Attorney.

TERMINATION AND RELEASE OF PLEDGE

43. It is agreed that the Pledge is a continuing security for the due and punctual performance and payment of the Secured Obligations, and subject to the terms of this Pledge, this Pledge may only be terminated by the Pledgee's prior consent in writing and shall, in particular, not terminate by reason solely of the fact that there may, at any time, be no amounts owing by the Pledgor to the Pledgee.

COSTS, CHARGES, FEES AND EXPENSES

44. The Pledgor shall on demand pay, on a full indemnity basis, all costs, charges, fees and expenses in any way incurred by the Pledgee in or incidental to the preservation or enforcement or release of this Agreement (including the costs of any proceedings taken against third parties in relation to this Agreement or the Secured Obligations) and on any payment to the Pledgee such payment shall be appropriated to such costs prior to being appropriated to interest and then principal due.

APPLICATION OF PROCEEDS

45. All payments arising in relation to the Pledged Assets received by the Pledgee under this Agreement shall be applied, to the extent that an appropriation needs be made,

FIRST in payment of all fees, costs and expenses,
SECOND in payment of any interest due,
THIRD in payment of the principal Secured Obligations and

the surplus, if any, after the Secured Obligations has been finally and fully repaid, shall be paid to the Pledgors or such other person as may for the time being be entitled thereto.

RETENTION OF PLEDGE

46. The Pledgee is entitled to retain this Pledge and decline to release it, even if the Secured Obligations shall have been paid in full, until such time as it is satisfied that any payment settlement of the Secured Obligations will not be challenged and avoided at any time whether as a preference or otherwise. It is also being expressly agreed that any release of this Pledge is subject to the condition that any payments towards the Secured Obligations shall not be reversed, revoked or declared null at any time.

FURTHER ASSURANCES

47. Each of the Custodian and the Pledgor hereby agrees and undertakes that, at any time and from time to time upon the written request of the Pledgee, it will (at its cost) promptly and duly enter into, execute and deliver to the Pledgee any and all such further agreements, instruments and documents and do all such acts and things as the Pledgee may reasonably require to give effect to or perfect the security intended to be created hereby, and to afford the Pledgee the full benefit of such security and of this Agreement and of the rights and powers herein granted, in any territories of the world as the Pledgee deems reasonably appropriate.

SET-OFF AND WAIVER OF RIGHTS

48. It is expressly agreed that the liability of the Pledgor under this Pledge shall in no way be extinguished, discharged or reduced or in any way affected by any right of set-off or counter-claim or any right whatsoever against the Pledgee and the Pledgor is hereby expressly waiving all rights (including any and all rights of action) the Pledgor may have against the Pledgee until after payment in full of the Secured Obligations to the satisfaction of the Pledgee.

SUCCESSORS AND ASSIGNS

49. The Pledgor and the Custodian may not assign, declare a trust over or otherwise transfer all or any part of their respective rights or obligations under this Agreement without the prior written consent of the Pledgee.

NOTICES

50. Notices must be sent by registered mail and a notice shall be deemed to have been served two (2) Working Days days following the date on which it was posted. In providing such service it shall be sufficient to prove that the notice was addressed properly and posted to such address as may be notified to the other Parties for this purpose.

For the purposes of this Agreement, the proper addresses of the Parties are:

To the Pledgor

Name: _____

Attention: _____

Address: _____

To the Pledgee

Name: _____

Attention: _____

Address: _____

To the Custodian

Name: _____

Attention: _____

Address: _____

Provided that each Party may at any time change such address by giving five (5) Working Days' prior written notice to the other Parties.

GOVERNING LAW & JURISDICTION

51. This Agreement and any non-contractual obligations between the Parties arising out of or in connection with this Agreement shall be governed by and construed in accordance with Laws of Malta and, in relation to any legal action or proceedings

arising out of or in connection with this Agreement, the Pledgor and the Custodian hereby and for the benefit of the Pledgee irrevocably submit to the exclusive jurisdiction of the courts of Malta.

Nothing in this clause will restrict the Pledgee from taking legal action or proceedings in any other jurisdiction.

COUNTER-PARTS

52. The Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts (including fax copies) were on a single copy of the Agreement.

53. Delivery of an executed signature page of a counterpart by facsimile transmission or in Adobe™ Portable Document Format (PDF) sent by electronic mail shall take effect as delivery of an executed counterpart of this Agreement. If either method is adopted, without prejudice to the validity of such agreement, each Party shall provide the other with the original of such page as soon as reasonably practicable thereafter.

IN WITNESS whereof the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

EXECUTION PAGE

SIGNED by
Duly authorised
For and on behalf of

in the presence of:
Name:

SIGNED by
Duly authorised
For and on behalf of
The Depositor Compensation Scheme

in the presence of:
Name:

SIGNED by
Duly authorised
For and on behalf of
Malta Stock Exchange plc

in the presence of:
Name:

**APPENDIX 2
ANNEX A**

Discharge Letter

To: [Custodian]
[Address:] (“**Custodian**”)

Copy to: [Pledgor]
[Address:] (“**Pledgor**”)

[Date]

Dear Sirs,

We refer to the Custody Agreement dated [] and entered into between the Pledgor and you as Custodian (the “**Custody Agreement**”) and the tri-partite pledge agreement dated [] entered into by the Pledgor, you and us (the “**Tri-Partite Pledge Agreement**”). Terms defined in the Tri-Partite Pledge Agreement shall have the same meaning when used in this notice.

This letter is the Discharge Letter for purposes of the Tri-Partite Pledge Agreement and takes effect immediately. We hereby acknowledge that the Pledge granted pursuant to the Tri-Partite Pledge Agreement has been discharged and that we have no further rights under the Tri-Partite Pledge Agreement.

Yours faithfully,

For and on behalf of
The Depositor Compensation Scheme

Date:

**APPENDIX 2
ANNEX B**

Details of Accounts

Account	Account Holder	Account Number
Securities Account	<u><i>[insert name]</i></u>	<u><i>[insert number]</i></u>
Cash Account	<u><i>[insert name]</i></u>	<u><i>[insert number]</i></u>

APPENDIX 3

Pledge Agreement

THIS PLEDGE AGREEMENT (the “**Agreement**”) is made the day of, 20..... .

BETWEEN:

1., a credit institution licensed under the laws of Malta and having its registered office situated at (the “**Bank**” or the “**Pledgor**”);

and
2. The Depositor Compensation Scheme established in terms of the DCS Regulations (as defined below) (the “**DCS**” or the “**Pledgee**”).

(together sometimes referred to as the “**Parties**” and each a “**Party**”).

WHEREAS:

The Pledgor is a credit institution participating in the Depositor Compensation Scheme established under the DCS Regulations.

Pursuant to the DCS Regulations, a member participating in the DCS is required to pay contributions to the DCS.

In line with the DCS Regulations and the EBA Guidelines, a portion of the Bank’s contribution to the DCS may be provided by means of a payment commitment, subject to such limitations as set out in the DCS Regulations.

The Pledgor has entered into the Payment Commitment Arrangement with the DCS.

In order to secure the obligations under the DCS Regulations and those undertaken by the Pledgor in the Payment Commitment Arrangement, the Pledgor has undertaken to enter into this Agreement with the DCS.

The pledge to be constituted by and under this Agreement shall constitute a “financial collateral arrangement” under the Financial Collateral Arrangements Regulations.

The Parties are therefore entering into this Agreement so as to establish and regulate in detail the terms and conditions under which the Pledge shall be created and under which the release and termination of the Pledge shall be effected.

NOW IT IS HEREBY AGREED AS FOLLOWS:

INTERPRETATION

1. In this Agreement reference to the parties includes reference to their lawful successors.
2. Capitalised terms used in this Agreement have the following meanings attributed thereto:

“**Banking Rules**” means the banking rules which may be issued by the competent authority under the Banking Act, Chapter 371 of the laws of Malta for the purposes of the DCS Regulations;

“**Credit Institutions (Reorganisation and Winding-Up) Regulations**” means the Credit Institutions (Reorganisation and Winding-Up) Regulations (Subsidiary Legislation 371.12 of the laws of Malta), as the same may be amended from time to time, or any successor law or regulation;

“**DCS Regulations**” means the Depositor Compensation Scheme Regulations, 2015 (Legal Notice 383 of 2015), as the same may be amended from time to time, or any successor law or regulation;

“**Depositor Compensation Scheme**” or “**DCS**” means the Depositor Compensation Scheme established under the DCS Regulations;

“**EBA Guidelines**” means the European Banking Authority’s Guidelines on payment commitments (EBA/GL/2015/09);

“**Eligible Assets**” means such property as is allowed to be given as collateral under the DCS Regulations and deemed to be acceptable by the Pledgee hereunder;

“**Financial Collateral Arrangements Regulations**” means the Financial Collateral Arrangements Regulations (Subsidiary Legislation 459.01 of the laws of Malta) as may be amended from time to time, or any successor law or regulation;

“**Instruments**” means bonds or other forms of securitised debt, including depository receipts in respect of such securities and including government stocks, which are admitted to trading on any list of the Malta Stock Exchange p.l.c. or any other regulated market licensed to operate under Maltese law (the “**Regulated Market**”);

“**Payment Commitment Amount**” shall have the meaning as set out in the Payment Commitment Arrangement;

“**Payment Commitment Arrangement**” means the payment commitment arrangement dated [.....] entered into between the Pledgor and the DCS;

“**Pledge**” means the pledge as created under this Agreement;

“**Pledged Assets**” means the following type of assets as are listed in Schedule 1 to this Pledge:

- (i) bank account/s, together with all moneys, or balances thereof deposited therein as of this date or at any date hereafter, all accrued or accruing interest and all related rights (“**Bank Account/s**”); and
- (ii) Instruments.

“**Recovery and Resolution Regulations**” means the Recovery and Resolution Regulations 2015 (Legal Notice 301 of 2015), as the same may be amended from time to time, or any successor law or regulation;

“**Resolution Committee**” means the committee responsible for recovery and resolution under the Recovery and Resolution Regulations and as established under the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);

“**Secured Obligations**” means the present and future obligations of the Pledgor, absolute or contingent, due or to become due, towards the DCS, including without limitation any sums due by the Pledgor to the DCS under the DCS Regulations and any applicable Banking Rules and/or under the Payment Commitment Arrangement, as the same may be amended, varied or supplemented from time to time, or as may otherwise be determined by the DCS from time to time in accordance with the DCS Regulations and any applicable Banking Rules, and whether by way of principal, interest, default interest or otherwise, and all and any fees and/or expenses which the DCS may hereafter incur in the protection or enforcement of its rights; and

“**Working Day**” means any day on which banks are open for business in Malta.

3. In this Agreement, unless the context otherwise requires, any reference to the singular shall include the plural and vice versa, the use of the masculine pronoun shall include the feminine, the use of the neutral pronoun shall include the masculine or the feminine as the case may be and any reference to any law or regulation having the force of law or any section thereof includes reference to any modification thereto or re-enactment of such law or regulation having the force of law for the time being in force.
4. The headings in this Agreement are used and inserted for convenience only and shall be ignored in the interpretation of this Agreement.
5. To the extent that there is any conflict between the provisions of this Agreement on the one hand and the DCS Regulations and/or the Banking Rules on the other, this Agreement shall be interpreted in a manner which is consistent with the provisions of the DCS Regulations and the Banking Rules.

PLEDGE

6. The Pledgor hereby pledges to the Pledgee, and the Pledgee accepts, each of the Pledged Assets as security for the due and punctual payment and performance of the Secured Obligations. The parties are entering into this Agreement to regulate the said Pledge.
7. In constitution of the Pledge, the Pledgor is contemporaneously delivering the following documents to the Pledgee who accepts to hold such documents under the terms hereof:
 - (i) the executed Schedules (where applicable);
 - (ii) documents evidencing title to the Instruments (including a statement of holdings issued by the Malta Stock Exchange or the applicable regulated market).
8. In the case of the Pledged Asset being a Bank Account:
 - (i) during the currency of this Agreement, any banking mandate given by the Pledgor to the bank where the Bank Account is held is suspended to the extent stated herein; and
 - (ii) each time a deposit is made into a Bank Account, the Pledgor is doing so subject to the terms of this Agreement and is thereby confirming this Pledge.
9. In addition to the rights conferred upon the Pledgee by law and by this Agreement, this Pledge expressly confers upon the Pledgee the right to obtain payment with privilege over the Pledged Assets in accordance with Section 2009 (a) of the Civil Code (Cap 16 of the laws of Malta) as well as the right of retention over the Pledged Assets until such time as the Secured Obligations have been fully and finally discharged.
10. The Secured Obligations shall also include all and any fees, costs and/or expenses which the Pledgee may hereafter incur in the protection or enforcement of its security hereunder.
11. Subject to any other provisions of this Agreement, this Pledge shall extend to and include all receivables, rights, monies or other property accruing to or offered at any time by way of redemption, substitution, bonus, preference, option or otherwise to or in respect of any of the Pledged Assets and all allotments, accretions, offers and other rights, benefits and advantages whatsoever at any time accruing, made, offered or arising in respect of any of the Pledged Assets.
12. Nothing in this Agreement shall be construed as placing on the Pledgee any liability whatsoever in respect of any calls, instalments or other payments relating to any of the Pledged Assets or to any rights, shares or other securities accruing, offered or arising as aforesaid, and the Pledgor shall at all times indemnify and hold harmless the Pledgee against and from all demands made against it, payments

made by it, and costs, expenses, damages, losses or other liabilities incurred or suffered by it at any time in respect of any such calls, instalments or other payments as aforesaid.

13. This Agreement constitutes a “financial collateral arrangement” within the meaning of the Financial Collateral Arrangements Regulations.

USE OF PLEDGED ASSETS AND INSTRUCTIONS, RIGHTS AND DISCRETIONS IN RELATION TO THE PLEDGED ASSETS

14. The Pledged Assets shall be used strictly in accordance with this Pledge as the same may from time to time be modified or substituted with the consent of the Pledgor and the Pledgee.

Bank Accounts

15. All rights to give instructions to the bank with which the Bank Account is held relating to or connected with payments from the Bank Account, including without limitation payments of interest and repayment of principal and/or any balances, shall vest exclusively in the Pledgee.

Unless otherwise instructed by the Pledgee in writing, and prior to the issue of a Notice of Default (as hereinafter defined) by the Pledgee to the Pledgor, payment of interest on the Bank Account shall be made to the Pledgor as may be indicated to the Pledgee by the Pledgor from time to time.

Any repayment of principal and/or balances from the Bank Account shall, be credited to account number _____ in the name of the Pledgee held with the Central Bank of Malta and the Pledgee shall apply the same towards reducing the Secured Obligations.

16. With respect to instructions not relating to or connected with payments from the Bank Account, the Pledgor undertakes not to give any instructions to the bank with which the Bank Account is held which may have the effect of reducing or prejudicing the value of the security given hereunder without the prior written consent of the Pledgee.
17. It is agreed that the right to close a Bank Account shall not at any time be exercisable by the Pledgor without the express written consent of the Pledgee.

Instruments

18. Insofar as Instruments are concerned, prior to the issue of a Notice of Default (as hereinafter defined) by the Pledgee to the Pledgor, the rights pertaining to the Pledged Assets shall be exercised as follows:

- Voting

All voting and/or consensual rights and powers pertaining to the Instruments (if any) shall be exercisable by the Pledgor.

- Notices of meetings and statements

All notices of meetings required by Maltese law shall be sent to the Pledgor, who shall provide the Pledgee with a copy. All notices and/or statements issued by the Regulated Market in relation to the Pledged Assets shall be sent to the Pledgor, who shall provide the Pledgee with a copy.

- Interest

All interest payable in respect of the Pledged Assets shall be paid to and shall be receivable by the Pledgor.

- Capital Distributions

All capital distributions paid on the Instruments upon redemption of any Instruments shall be credited to account number _____ in the name of the Pledgee held with the Central Bank of Malta until further instructions to the Pledgor from the Pledgee regarding these amounts.

19. In so far as Instruments are concerned, without prejudice to the rights and remedies of the Pledgee under this Agreement, upon the issue of a Notice of Default (as hereinafter defined) by the Pledgee to the Pledgor, the Pledgee shall be immediately vested with all rights pertaining to the Pledgor under the Instruments, and in particular, without prejudice to the generality of the foregoing:

- (i) all interests due on the Pledged Assets shall be paid to and shall be received by the Pledgee which shall apply the same towards reducing the Secured Obligations;
- (ii) all voting and other rights and powers attaching to the Pledged Assets shall vest in the Pledgee, and the Pledgee shall exercise such powers for the purposes of, and in accordance with the terms of, this Pledge;
- (iii) all capital distributions paid on the Pledged Assets upon any redemption of any Pledged Assets shall be received by the Pledgee which shall apply the same towards reducing the Secured Obligations; and
- (iv) all notices of meetings shall be sent to the Pledgee which shall have the right to attend and vote at same itself.

20. Subject to the terms of this Agreement and where a Notice of Default has been sent to the Pledgor, in so far as it is necessary and for the purposes of conducting business at any meetings of the issuer of the Instruments, the Pledgor irrevocably and by way of security confers on the Pledgee, and the Pledgee accepts, the rights to receive and waive notice of, attend and vote at any meeting of the issuer and, the Pledgor irrevocably recognises these rights of the Pledgee.

REPRESENTATIONS AND WARRANTIES

21. The Pledgor represents and warrants to the Pledgee that:

- a) the Pledgor is the sole owner of the Pledged Assets and that the said Pledged Assets are free from all and any encumbrances other than the special privilege created as a result of this Agreement;
- b) it has the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, this Agreement;
- c) the Pledge constitutes its legal, valid and binding obligation enforceable in accordance with its terms;
- d) all and any authorisations, regulatory approvals, third party consents or acknowledgments, registrations, filings or notifications required or advisable in connection with the entry into, performance, validity or enforceability of this Pledge have been obtained or effected and are in full force and;
- e) the entry into and performance by it of, and the transactions contemplated by, the Pledge does not and will not:
 - (i) conflict with any law or regulation or judicial or official order; or
 - (ii) conflict with its constitutional documents; or
 - (iii) conflict with any document which is binding upon itself or any of its assets;
- f) the right to dispose of the Pledged Assets, to enjoy any interests, capital or other distributions and the right to redeem the Pledged Assets or any other rights arising in connection with or from the Pledged Assets are to be exercised in accordance with this Agreement;
- g) all rights arising from or in connection with the Pledged Assets are exercisable in the interest of the Pledgor and the Pledgee strictly in accordance with the terms of this Agreement and any applicable laws and regulations; and
- h) this Agreement and all the terms and obligations herein contained are valid and binding on the Pledgor and there exist no limitations in any agreement to which the Pledgor is a party or in any applicable law which would hinder the performance of any of the obligations of the Pledgor hereunder.

22. The Pledgor also represents and warrants to and undertakes in favour of the Pledgee that the foregoing representations and warranties will be true and accurate throughout the duration of this Agreement with reference to the facts and circumstances subsisting from time to time.

COVENANTS

23. The Pledgor covenants and agrees with the Pledgee as follows:

- a) upon request of the Pledgee, to substitute the Eligible Assets provided as collateral when they fall due, when required by the Pledgee in its sole discretion or when the Eligible Assets no longer comply with the applicable requirements laid down in the DCS Regulations, any Banking Rules issued thereunder or the EBA Guidelines, so that the Secured Obligations are permanently secured by appropriate collateral;
- b) that, for the duration of the Agreement, the Pledgor will not sell, assign, transfer, pledge or encumber in any other manner in favour of any other person any of the Pledged Assets or any right, option or interest in, over or attaching to the Pledged Assets and the Pledgor will not allow any encumbrance on the Pledged Assets except with the prior written consent of the Pledgee;
- c) to top-up the Pledged Assets provided as collateral upon request of the Pledgee, in the event that the value of the Pledged Assets, after the haircut provided for in any applicable Banking Rule issued under the DCS Regulations and/or the EBA Guidelines, falls below the Payment Commitment Amount;
- d) to warrant and to defend the right, title and interest of the Pledgor and the Pledgee in and to the Pledged Assets against the claims and demands of all persons whomsoever;
- e) that the Pledgor will at all times remain the (legal and beneficial) owner of the Pledged Assets;

Applicable to the Pledged Asset being a Bank Account

- f) that the Pledgor shall execute and deliver to the bank with which the Bank Account is held (the “**Third Party Bank**”) a notice of pledge in the form of Schedule 2 hereto and procure the acknowledgement in writing of the pledge by the Third Party Bank in the form of Schedule 3 hereto within a maximum of seven (7) Working Days from the date of this Agreement or any amendment thereto as may be applicable;

Applicable to the Pledged Asset being an Instrument (other than Government Stocks)

- g) that the Pledgor shall, within a maximum of seven (7) Working Days from the date of this Agreement or any amendment thereto as may be applicable, notify, or consents to the Pledgee notifying, the company whose Instruments have been pledged by means of a notice in the form set out in Schedule 4 and, together with the said notice, the Pledgor shall deliver, or consents to the Pledgee delivering, to the issuer of such Instrument a certified copy of the Agreement;
- h) that the Pledgor shall, within a maximum of seven (7) Working Days from the date of this Agreement or any amendment thereto as may be applicable, notify, or consents to the Pledgee notifying, the Regulated Market, by means of a notice in the form set out in Schedule 5 and together with the said notice, the Pledgor shall deliver, or consents to the Pledgee delivering to the Regulated Market, a certified copy of the Agreement;

- i) that the Pledgor will ensure that each of the companies whose Instruments have been pledged and the Regulated Market shall respectively record the said pledge in the relevant register of holders of the Instruments or the applicable central securities depository (as the case may be) and that evidence thereof be delivered to the Pledgee;
- j) that the Pledgor will deliver to the Pledgee an acknowledgement issued by the company whose Instruments have been pledged (in the form set out in Schedule (6)) and by the Regulated Market (in the form usually issued by the latter) of the filing of the said notices;

Applicable to the Pledged Asset being Government Stocks

- k) that the Pledgor shall, within a maximum of seven (7) Working Days from the date of this Agreement or any amendment thereto as may be applicable, notify, or consents to the Pledgee notifying, the Regulated Market, by means of a notice in the form set out in Schedule 5 and, together with the said notice, the Pledgor shall deliver, or consents to the Pledgee delivering to the Regulated Market, a certified copy of the Agreement;
- l) that the Pledgor will ensure that the Regulated Market shall record this pledge in the applicable central securities depository and that evidence thereof be delivered to the Pledgee; and
- m) that the Pledgor will deliver to the Pledgee an acknowledgement issued by the Regulated Market (in the form usually issued by the latter) of the filing of the said notice.

DEFAULT EVENTS

24. For the purposes of this Agreement, a “**Default Event**” shall *ipso jure* occur under this Agreement with respect to the Pledgor without the need of any notice and without the need of any authorisation and/or confirmation from a competent court upon the occurrence of any one or more of the following events:
- a) failure by the Pledgor to pay the Payment Commitment Amount within the period provided under the Payment Commitment Arrangement when required to do so by the DCS;
 - b) any of the Secured Obligations falls due or is expressed to fall due to be paid, performed or discharged and is not paid, performed or discharged (as the case may be) in full on the due date therefor;
 - c) failure by the Pledgor to substitute the Eligible Assets provides as collateral when they fall due, when required by the Pledgee in its sole discretion or when the Eligible Assets no longer comply with the applicable requirements laid down in the DCS Regulations, any Banking Rules issued thereunder or the EBA Guidelines;

- d) failure by the Pledgor to top-up the Pledged Assets provided as collateral upon request of the Pledgee, in the event that the value of the Pledged Assets, after the haircut provided for in any applicable Banking Rule issued under the DCS Regulations and/or the EBA Guidelines falls below the Payment Commitment Amount;
- e) any representation or statement made or deemed to be made by the Pledgor in this Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;
- f) any breach by the Pledgor of: (i) any of the provisions of the DCS Regulations or of any applicable Banking Rule issued thereunder; or (ii) any of the provisions of this Agreement or the Payment Commitment Arrangement;
- g) suspension, restriction or withdrawal of the Pledgor's authorisation as a credit institution under the Banking Act or renunciation by the Pledgor of its authorisation as a credit institution under the Banking Act;
- h) the competent authority under the Banking Act has determined, pursuant to the provisions of the DCS Regulations, that in its view the Pledgor appears to be unable for the time being, for reasons which are directly related to its financial circumstances, to repay deposits covered by the DCS Regulations and the Pledgor has no current prospect of being able to do so;
- i) a judicial authority has made a ruling for reasons which are directly related to the Pledgor's financial circumstances and which has the effect of suspending the rights of depositors to make claims against the Pledgor;
- j) the Pledgor:
 - (i) becomes insolvent;
 - (ii) becomes unable or admits inability to pay its debts as they fall due or is deemed to be or declared to be unable to pay its debts under applicable law;
 - (iii) becomes unable or admits inability to pay its debts as they all due or is deemed to be or declared to be unable to pay its debts under applicable law;
 - (iv) suspends or threatens to suspend making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
 - (iv) any corporate action, legal proceedings or other procedure or step is taken in relation to: (a) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, company recovery procedure or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise); or (b) a composition, compromise assignment or arrangement with any creditor; or (c) the appointment of a liquidator, special controller, receiver, administrator, administrative receiver, compulsory manager or other similar

- officer in respect of the Pledgor or any of its assets; or (d) the enforcement of any security interest over the Pledgor's assets; or (e) any analogous procedure or step is taken in any jurisdiction;
 - (v) becomes subject to "reorganisation measures" or "winding-up proceedings" (each term as defined in the Credit Institutions (Reorganisation and Winding-Up) Regulations);
 - (vi) any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affecting any assets of the Pledgor including without limitation any precautionary or executive garnishee order is issued in connection with any of the Pledged Assets or moneys or moveable property or belonging to the Pledgor; or
 - (vii) the Pledgor ceases or threatens to cease to carry on its business; or
- k) when the Pledgor ceases to be a member of the DCS.

REMEDIES

25. On simple notice in writing being served by the Pledgee to the Pledgor stating that a Default Event has occurred and setting out the Default Event (the "**Notice of Default**"), the Pledgee may exercise in relation to any or all of the Pledged Assets, any or all of the rights and remedies possessed by it under this Agreement or granted to it by law or otherwise and in particular:
- a) apply any balances and any unappropriated cash then held as a Pledged Asset in payment of any sums due to the Pledgee;
 - b) demand that the Pledgor's right to receive any payment under or in connection with the Pledged Assets be, where applicable, assigned to the Pledgee in payment of the Secured Obligations or any part thereof in terms of Article 1968 (3) of the Civil Code (Cap. 16 of the Laws of Malta);
 - c) exercise all rights relating to the Pledged Assets which in its sole and absolute discretion is deemed necessary to preserve the value thereof, including without limitation the right to exercise voting rights and the right to receive interests and any other action;
 - d) in the case of Instruments, dispose of all or any part of the Pledged Assets and set-off or apply the proceeds thereof towards reducing or in satisfaction or discharge of the Secured Obligations, in such manner and under such terms and conditions as the Pledgee may deem fit in accordance with the provisions of the Financial Collateral Arrangements Regulations;
 - e) in the case of Instruments, appropriate and acquire all or any part of the Pledged Assets and set-off or apply their value (determined as provided hereunder in this clause) towards reducing or in satisfaction or discharge of the Secured Obligations in accordance with the provisions of the Financial Collateral Arrangements Regulations; in the case of Instruments, where applicable, make

use of any or all of the remedies set out in Article 122 of the Companies Act (Cap. 356 of the Laws of Malta); and/or

f) in the case of Instruments, where applicable, make use of any or all of the remedies set out in Article 122 of the Companies Act (Cap. 356 of the Laws of Malta); and/or

g) apply to the Courts for the judicial auction of the Pledged Assets (whether in whole or in part) in accordance with the Maltese Civil Code and/or for the sale of the Pledged Assets (whether in whole or in part) to be carried out by means of a public broker or a bank or other banking institution to be appointed by the court in terms of Article 1970 of the Civil Code.

26. For the purposes of clause 25 (e), to the extent that the Pledgee decides to exercise the rights and remedies of appropriation as set out in the Financial Collateral Arrangements Regulations, the value of the Pledged Assets for the purpose of the appropriation mentioned therein shall be the value of such Pledged Assets as agreed between the Pledgor and the Pledgee at any time (whether before or after the service of a Notice of Default) for the purposes of the said clause 25 (e).

Failing such agreement within two (2) Working Days from the date of the service of the Notice of Default, the value of the Pledged Assets (whether in whole or in part) for the purpose of the appropriation mentioned therein shall be the amount which is the Pledgee's estimate of the net proceeds that would be realised on a sale of such Pledged Assets, after deducting all reasonable costs, fees and expenses incurred in connection therewith, based on the estimated market value of the Pledged Assets (whether in whole or in part) on the Regulated Market on the date of the Notice of Default.

27. Where applicable, in exercising its rights under this clause, the Pledgor may make use of any system of trading allowed by the Regulated Market.

28. In the event that any applicable law or regulation establishes procedures or obligations to be followed by entities acquiring controlling securities or interests in companies listed on the Regulated Market, the remedies set out in this section 'Remedies' shall still be available to the fullest extent allowed by law, but shall be construed in such manner as to conform with such applicable laws and regulations.

29. If and to the extent that the Pledgee opts to sell or appropriate the Pledged Assets, the Pledgor hereby agrees that in the event that the sale or appropriation of the Pledged Assets, or any particular class thereof, in terms of this clause only makes commercial sense (in the sole discretion of the Pledgee) if so sold or appropriated in its entirety, then the Pledged Assets, or any particular class thereof, will be so sold and appropriated, notwithstanding the fact that the proceeds or value thereof will exceed the value of the Secured Obligations, provided that any excess proceeds over the value of the Secured Obligations recovered by the Pledgee in the case of a sale or any excess value appropriated by the Pledgee shall be released or reimbursed in favour of the Pledgor.

30. The Pledgor shall not have any claim against the Pledgee in respect of any loss arising out of any such sale or appropriation in terms of this Section 'Remedies' or any postponement thereof howsoever caused and whether or not a better price could or might have been obtained upon the sale of the Pledged Assets or any of them by deferring or advancing the date of such sale or appropriation or otherwise howsoever.
31. Upon any disposal by the Pledgee of the Pledged Assets, the purchaser shall not be bound to see or enquire whether the power of sale of the Pledgee has arisen, the sale shall be deemed for all purposes hereof to be within the power of the Pledgee and the receipt of the Pledgee for the purchase money shall effectively discharge the purchaser who shall not be concerned with the manner of application of the proceeds of sale or be in any way answerable therefor.
32. The Pledgee shall be entitled, at any time and as often as the Pledgee may deem appropriate, to delegate all or any of the rights, powers, remedies and discretions vested in it under and pursuant to this Agreement in such manner, upon such terms, and to such person or persons as the Pledgee may deem appropriate.
33. All reasonable costs and expenses incurred by the Pledgee in connection with the liquidation and/or application of any Pledged Assets will be payable, on demand, by the Pledgor.
34. These remedies are cumulative and are in addition to the remedies granted to the Pledgee under Maltese law and, in so far as it is necessary to do so, the Pledgor hereby irrevocably and unconditionally authorises the Pledgee by way of security, who accepts, to avail itself of all and any of the said remedies in protection of its rights.
35. The non-exercise or partial exercise or any delay in exercising by the Pledgee of any of its rights, powers or remedies under this Pledge, shall not imply or operate as a waiver thereof on the part of the Pledgee.

MANDATE BY WAY OF SECURITY

36. The Pledgor hereby irrevocably and unconditionally appoints and authorises the Pledgee by way of security, who declares to have an interest in this mandate and accepts the same as part of its security, as its attorney (with full power of substitution) and in its name or otherwise on its behalf to sign, seal, execute, deliver, perfect and do all agreements, instruments, acts and things which may be required or which the Pledgee shall reasonably think proper or expedient for carrying out any obligations imposed on the Pledgor hereunder or for exercising and giving effect to any of the powers hereby conferred or for giving to the Pledgee the full benefit of the security constituted hereunder and so that the appointments hereby made shall operate to confer on the Pledgee authority to do on behalf of the Pledgor anything which the Pledgor can lawfully do by an attorney. The Pledgor ratifies and confirms and agrees to ratify and confirm any agreement, instrument, act or thing which such attorney or substitute may execute or do.

37. This is an irrevocable mandate granted by way of security in terms of Article 1887(1) of the Civil Code (Cap.16 of the Laws of Malta). Where applicable, the Pledgee also reserves the right to register such mandate or any other mandate by way of security granted under this Agreement in a public register.

Provided that the Pledgee shall have the option but not an obligation to utilise such power of attorney and the Pledgee shall in no way be responsible for not utilising the said power of attorney nor shall the Pledgee be in any way responsible for anything done in virtue of the said power of attorney.

TERMINATION AND RELEASE OF PLEDGE

38. It is agreed that the Pledge is a continuing security for the due and punctual performance and payment of the Secured Obligations, and subject to the terms of this Pledge, this Pledge may only be terminated by the Pledgee's prior consent in writing and shall, in particular, not terminate by reason solely of the fact that there may, at any time, be no amounts owing by the Pledgor to the Pledgee.
39. In the event of such termination, the Pledgee shall, at the cost of the Pledgor, as and where applicable, file the necessary notifications to the Regulated Market (in the form set out in Schedule 7 hereto) and company whose Instruments have been pledged in accordance with applicable law (in the form set out in Schedule 8 hereto), within a reasonable time from the receipt by the Pledgee of such a request.

COSTS, CHARGES, FEES AND EXPENSES

40. The Pledgor shall on demand pay, on a full indemnity basis, all costs, charges, fees and expenses in any way incurred by the Pledgee in or incidental to the preservation or enforcement or release of this Agreement (including the costs of any proceedings taken against third parties in relation to this Agreement or the Secured Obligations) and on any payment to the Pledgee such payment shall be appropriated to such costs prior to being appropriated to interest and then principal due.

APPLICATION OF PROCEEDS

41. All payments arising in relation to the Pledged Assets received by the Pledgee under this Agreement shall be applied, to the extent that an appropriation needs be made,

FIRST in payment of all fees, costs and expenses,
SECOND in payment of any interest due,
THIRD in payment of the principal Secured Obligations and

the surplus, if any, after the Secured Obligations has been finally and fully repaid, shall be paid to the Pledgors or such other person as may for the time being be entitled thereto.

RETENTION OF PLEDGE

42. The Pledgee is entitled to retain this Pledge and decline to release it, even if the Secured Obligations shall have been paid in full, until such time as it is satisfied that any payment settlement of the Secured Obligations will not be challenged and avoided at any time whether as a preference or otherwise. It is also being expressly agreed that any release of this Pledge is subject to the condition that any payments towards the Secured Obligations shall not be reversed, revoked or declared null at any time.

FURTHER ASSURANCES

43. The Pledgor hereby agrees and undertakes that, at any time and from time to time upon the written request of the Pledgee, it will (at its cost) promptly and duly enter into, execute and deliver to the Pledgee any and all such further agreements, instruments and documents and do all such acts and things as the Pledgee may reasonably require to give effect to or perfect the security intended to be created hereby, and to afford the Pledgee the full benefit of such security and of this Agreement and of the rights and powers herein granted, in any territories of the world as the Pledgee deems reasonably appropriate.

SET-OFF & WAIVER OF RIGHTS

44. It is expressly agreed that the liability of the Pledgor under this Pledge shall in no way be extinguished, discharged or reduced or in any way affected by any right of set-off or counter-claim or any right whatsoever against the Pledgee and the Pledgor is hereby expressly waiving all rights (including any and all rights of action) the Pledgor may have against the Pledgee until after payment in full of the Secured Obligations to the satisfaction of the Pledgee.

SUCCESSORS AND ASSIGNS

45. The Pledgor may not assign, declare a trust over or otherwise transfer all or any part of their respective rights or obligations under this Agreement without the prior written consent of the Pledgee.

NOTICES

46. Notices must be sent by registered mail and a notice shall be deemed to have been served two (2) Working Days following the date on which it was posted. In providing such service it shall be sufficient to prove that the notice was addressed properly and posted to such address as may be notified to the other Parties for this purpose.

For the purposes of this Agreement, the proper addresses of the Parties are:

To the Pledgor

Name: _____

Attention: _____

Address: _____

To the Pledgee

Name: _____

Attention: _____

Address: _____

Provided that each Party may at any time change such address by giving five (5) Working Days' prior written notice to the other Parties.

GOVERNING LAW & JURISDICTION

47. This Agreement and any non-contractual obligations between the Parties arising out of or in connection with this Agreement shall be governed by and construed in accordance with laws of Malta and, in relation to any legal action or proceedings arising out of or in connection with this Agreement, for the benefit of the Pledgee, the Pledgor irrevocably submits to the exclusive jurisdiction of the courts of Malta.

Nothing in this clause will restrict the Pledgee from taking legal action or proceedings in any other jurisdiction.

COUNTER-PARTS

48. The Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts (including fax copies) were on a single copy of the Agreement.

49. Delivery of an executed signature page of a counterpart by facsimile transmission or in Adobe™ Portable Document Format (PDF) sent by electronic mail shall take effect as delivery of an executed counterpart of this Agreement. If either method is adopted, without prejudice to the validity of such agreement, each Party shall provide the other with the original of such page as soon as reasonably practicable thereafter.

IN WITNESS whereof the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

EXECUTION PAGE

SIGNED by:

Duly authorised
For and on behalf of:

in the presence of:
Name:

SIGNED by:

Duly authorised
For and on behalf of
The Depositor Compensation Scheme

in the presence of:
Name:

APPENDIX 3
Schedule 1

The Pledged Assets for the purposes of this Pledge are the following:

1. Bank Accounts:

Type of Account	Account Number / IBAN Number	Bank at which Account is held	Pledged Amount

2. Instruments:

ISIN and Instrument Name:	Issuer's Name	Number of Instruments	Nominal Value	Value of Instruments as at the date of the Agreement

APPENDIX 3
Schedule 2

[Pledgor's letterheads]

Notice of Pledge of Bank Account/s

To: [The Bank]
[Address]

Date:

Dear Sirs,

By these presents you are hereby notified that by virtue of a pledge agreement dated 2016 (the "**Pledge Agreement**") entered between ourselves as **pledgor (the "Pledgor")** and the **Depositor Compensation Scheme** established in terms of the Depositor Compensation Scheme Regulations (Legal Notice 383 of 2015), as pledgee (the "**Pledgee**"), a certified copy of which is enclosed with this notice, we have pledged in favour of the Pledgee the bank account/s in our name held with yourselves as follows:

Account no. [....] (Currency:)
Account no. [] (Currency:)

together with all moneys, or balances thereof deposited therein, all accrued or accruing interest and all related rights.

Please confirm receipt of this notice and procure the signing of the acknowledgement (also enclosed with this letter) confirming that you will act in accordance with the terms of the Pledge Agreement.

Yours faithfully,

Name:

Duly authorised
For and on behalf of
[insert name of the Pledgor]

APPENDIX 3
Schedule 3

[Bank's letterhead]

Acknowledgement of Pledge of Bank Account/s

To: **The Depositor Compensation Scheme**
[Insert address]

Date:

Dear Sirs,

Re: [...] (the "Customer")
Pledge Agreement dated [...] entered into between the Customer and the
Depositor Compensation Scheme (the "Pledge Agreement")

We acknowledge without reservation notice of the pledge set out in the Pledge Agreement entered into between yourselves as Pledgee and the Customer as Pledgor, a certified copy of which has been forwarded to us.

We confirm that:

- (a) The Pledgor has the following account/s bearing account number/s [.....] (Currency: _____) with ourselves (the "Account/s");
- (b) To date we have not received notice of any other pledge or other third party rights whatsoever in relation to the Account/s.

We undertake during the currency of this Pledge Agreement to:

- (a) with respect to instructions relating to or connected with withdrawals including payments from the Account, including payments of interest and re-payments of principal and/or any balances, to receive the said instructions and to act upon the instructions exclusively given by the Pledgee: provided that unless otherwise instructed by the Pledgee in writing, and prior to the issue of a Notice of Default (as hereinafter defined) by the Pledgee to the Pledgor, payment of interest on the Account shall be made to the Pledgor. Any repayment of principal and/or balances from the Account shall be credited to account number _____ in the name of the Pledgee held with the Central Bank of Malta;
- (b) to act according to all and any instructions issued by the Pledgee in accordance with the Pledge Agreement without the necessity or obligation to verify whether the facts stated by the Pledgee, particularly whether an Event of Default (as defined in the Pledge Agreement) has or has not taken place;
- (c) not to consent to the closing of the account without the prior written consent of the Pledgee; and

- (d) to inform the Pledgee of any other notice of pledge or encumbrances or other third party rights whatsoever in relation to the Account.

Name:

Authorised Signatory
for and on behalf of
[insert **name of the Bank**]

APPENDIX 3
Schedule 4

[Pledgor Letterheads]

Notice of Pledge of Securities

To : [Name of **Company**]
[Insert address]

Date :

Dear Sirs,

Re: Pledge of Securities

This is to inform you that [Number of Securities] of [Description and ISIN Number of Securities] (the “**Securities**”) registered in the name of [] of [Address] (the “**Pledgor**”) have been pledged to the **Depositor Compensation Scheme** established in terms of the Depositor Compensation Scheme Regulations (L.N. 383 of 2015) (the “**Pledgee**”).

A certified copy of the Pledge Agreement dated [...] is herewith enclosed for all effects at law.

We hereby notify you of such pledge and request you to register such pledge in the Company’s records.

We hereby notify you that, in the absence of any notice to the contrary, the Pledgor should continue to receive any interest payments due on the Instruments and to exercise any rights in connection therewith.

We also request you to acknowledge the said pledge in favour of the Pledgee in accordance with the wording of the attached “**Acknowledgement of Pledge**” and to observe its terms.

Yours faithfully

Name:
Authorised Signatory
For and behalf of
[name of **Pledgor**]

APPENDIX 3
Schedule 5

[Letterheads of the Depositor Compensation Scheme]

Notice of Pledge of Securities to the Malta Stock Exchange

The Malta Stock Exchange
Central Securities Depository
[insert address]
Valletta

Date:

Dear Sirs,

The security forming the subject of the pledge is:

[number] [type of securities] in [Company] (ISIN Code []) held in the name of [] (the “Pledgor”) (reg. No. []); (MSE account no. []).

We hereby give you notice that we have taken a pledge on the captioned holding as security for the secured obligations of [name of Bank].

We enclose a certified copy of the relative signed Pledge Agreement dated [.....].

This notification is being made for the purposes of Section 122(12) of the Companies Act and Section 28(3) of the Financial Markets Act.

Yours faithfully,

Name:
Authorised Signatory
The **Depositor Compensation Scheme**

APPENDIX 3
Schedule 6

[Company's Letterheads]

Acknowledgement of Pledge of Securities

To : **Depositor Compensation Scheme**
[Insert address]

Date:

Dear Sirs,

This is to acknowledge receipt of the **Notice of Pledge of Securities** relating to the following:

[Number of Securities] of [Description and ISIN Number of Securities] (the "**Securities**") registered in the name of [] of [Address] (the "**Pledgor**") which have been pledged to you.

We are also in receipt of a copy of the Pledge Agreement dated, between the Pledgor and yourselves (the "**Pledge Agreement**").

We hereby acknowledge the pledge of the securities without reservation and we hereby confirm that we have made note of this in the Company's registers. We undertake to you to act in accordance with the terms of the Pledge Agreement and the terms of the Notice.

We also confirm that the Securities are free from all encumbrances other than the pledge constituted in your favour.

Yours faithfully,

Name:
Authorised Signatory
For and on behalf of
[name of **Company**]

APPENDIX 3
Schedule 7

[Letterhead of the Depositor Compensation Scheme]

Notice of the termination of pledge to the Malta Stock Exchange

To: The Malta Stock Exchange
 Valletta

Date:

Dear Sirs,

Please refer to the Notice dated whereby you were informed that the following Securities:

[insert details of Securities pledged]

registered in the name of [insert name of the **Pledgor**] and listed on the Official List of the Malta Stock Exchange were pledged in our favour in virtue of a Pledge Agreement dated....., a certified signed copy of which was also delivered to you.

Notice is hereby being given that the said pledge has been terminated and released. Please be guided accordingly.

Yours faithfully,

Name:
Authorised Signatory
For and on behalf of
The Depositor Compensation Scheme

APPENDIX 3
Schedule 8

[Letterhead of the Depositor Compensation Scheme]

Notice of Termination of Pledge to the Company

To: The Company Secretary
 [Name of **Company**]
 [Address]

Date:

Dear Sirs,

Please refer to the Notice datedwhereby you were informed that the following Securities:

[insert detail of Securities pledged]

registered in the name of [insert name of **the Pledgor**] and listed on the Official List of the Malta Stock Exchange were pledged in our favour in virtue of a Pledge Agreement dated....., a certified signed copy of which was also delivered to you.

Notice is hereby being given that the said pledge has been terminated and released. Please be guided accordingly.

Yours faithfully,

Name:
Authorised Signatory
For and on behalf of
The Depositor Compensation Scheme