

NASDAQ OMX Riga Rules

“ON CASH AND FINANCIAL INSTRUMENT SETTLEMENT”

APPROVED by
the Meeting of the Supervisory Board
on August 31, 2004

Amendments approved by
the Meeting of the Supervisory Board
on September 21, 2005

Amendments approved by
the Meeting of the Management Board
on January 30, 2007; February 11, 2009, January 19, 2010

UNOFFICIAL TRANSLATION

1. General provisions

1.1. NASDAQ OMX Riga Rules “On Cash and Financial Instrument Settlement” (hereinafter referred to as the Rules) have been prepared on the basis of articles 27(5) and 28(5)(4) of the Law on the Financial Instruments Market.

1.2. These Rules provide the procedure according to which cash and financial instrument settlement shall be made for Trades concluded or reported (hereinafter referred to as Trades) on NASDAQ OMX Riga (hereinafter referred to as Exchange), as well as the procedure of establishing and use of the Guarantee Fund for providing the execution of concluded or reported Trades. These Rules shall not be applicable to settle the trades with Latvian government debt securities as a part of primary placement auctions or buybacks.

1.3. The terms used herein shall correspond with the terms used in the rules regulating the procedure of financial instrument settlement of the Latvian Central Depository (hereinafter referred to as the LCD) and the Member Rules of the Exchange, unless otherwise provided for herein.

1.4. Settlement of Trades concluded or reported on the Exchange shall be organised by the LCD in accordance with the procedure provided for in the rules of the LCD.

1.5. The Exchange shall monitor that settlement is performed in accordance with the procedure provided for herein and the rules of the LCD, and settlement for Trades is to be performed according to conditions of the Trade.

1.6. Settlement for Trades concluded or reported on the Exchange shall be made according to the DVP principle. Default settlement period for Trades concluded on the Exchange are:

- 1) for automatch or contract trades in Lats – T+3;
- 2) for automatch or contract trades in foreign currency - T+3.

Settlement period for Trades reported on the Exchange may be from T+0 to T+40

1.7. The Exchange Management Board may determine different settlement periods for individual types of financial instruments or for financial instruments, which are traded in various currency sub-markets.

2. Settlement agent

2.1. Financial instrument settlement for the Trades concluded or reported by the Member may be made by:

2.1.1. The Member if at the same time it is also a member of the LCD who is a financial instrument account operator and ensures financial instrument settlement;

2.1.2. A LCD participant who is a financial instrument account operator on behalf of the Member and who, in accordance with a mutual agreement, has undertaken to act as settlement agent for the Member's Trades;

2.1.3. A person who, according to the rules of the LCD, is entitled to and performs settlement related to financial instruments, and who, in accordance with a mutual agreement, has undertaken to act as settlement agent for the Member's Trades.

2.2. The settlement of cash leg for the Member's Trades may be made by:

2.2.1. The Member if at the same time it is also a member of the LCD who is entitled to performs cash settlement related to financial instruments;

2.2.2. A LCD participant who is entitled to and makes cash settlement related with financial instruments and who in accordance with a mutual agreement has undertaken to ensure cash settlement related with the Member's trades;

2.1.3. A person, who, according to the rules of the LCD, is entitled to and makes cash settlement related with financial instruments, and who, in accordance with a mutual agreement, has undertaken to ensure cash settlement for the Member's Trades.

2.3. The Member, not later than one day prior to commencement of trading in the Trading System of the Exchange, shall submit the following account details to the Exchange:

2.3.1. Its financial instrument and cash default account details, to be indicated by Exchange them in cases when the information on settlement agent entered by the member in the Trading System is erroneous, incomplete, or has not been entered at all;

2.3.2. Its financial instruments and cash account details against which the Member's liability could be charged in case the settlement agent specified by the Member according, has rejected or not approved the settlement.

3. Procedure of the exchange of information about the settlement agent and settlement

3.1. Upon conclusion or reporting of the Trade in the Trading System of the Exchange, the Member shall indicate data about the settlement agent in the Order or the Report, which has been entered in the Order Book.

3.2. If the Member has provided incomplete, inaccurate or no data about the settlement agent in the Trading System of the Exchange, the Trading System will select a default settlement agent, earlier specified by the Members for such occasions.

3.3. By entering the Order or the Report in the Trading System of the Exchange, the Member may indicate that an approval by the settlement agent is necessary prior to settlement.

3.4. Approval by the settlement agent shall be requested also in cases if the Trade data contain erroneous, incomplete or no information about the settlement agent, and the default agent, earlier specified by the Member in accordance with section 2.3 of the Rules, appears as the settlement agent.

3.5. At the end of the Trading day the Exchange shall a notification send to each Member about execution of its submitted Orders or Reports and shall deliver the LCD settlement orders about all Trades completed during the respective Trading Hours.

3.6. The Member shall inform the settlement agents, involved in the Member's Trades, upon receipt of the information stated in section 3.6 of the Rules.

3.7. The Member shall monitor and ensure that sufficient financial instrument and cash amount are made available for settlement of the Member's trades by the deadlines specified by the LCD.

3.8. The Exchange may cancel a settlement order only in cases provided for in the Member Rules of the Exchange or by a request of the Member, who is one party to the Trade and if the other party to the Trade has confirmed its consent in writing to cancellation of the Trade.

3.9. In case of agreement of the parties to the Trade, the Management Board of the Exchange may cancel the Trade before settlement, if the provisions of the Exchange Rules or related decisions of the Management Board of the Exchange have been violated or if there is a threat to market safety.

4. Special provisions cross-border settlement

4.1. The Member may envisage that, in the result of execution of its Trade, financial instruments are transferred to or moved from a foreign central depository only if the Member has notified the Exchange in advance about making of such Trades and has submitted information to the Exchange about the persons who would settle such Trades.

4.2. If a member of a foreign central depository has been indicated as the settlement agent for Trade, it is compulsory to indicate in the Order that an approval by the settlement agent is necessary.

4.3. The settlement period for Trades, in the result of what it is envisaged to transfer financial instruments to/from a foreign central depository, may not be shorter than T+1.

5. Establishing of the Guarantee Fund, and the procedure of use of resources in such funds

(chapter in the new wording that come into effect in 1 February, 2007)*

5.1. In order to prevent the Trade cancellation due to failure in settlement and to decrease the risk that settlement services for the Trades have not been provided for in due time, the Exchange shall establish the Guarantee Fund.

5.2. The Guarantee Fund shall not have the status of a legal entity. The procedure of establishing of the Fund and the use of resources paid into it has been provided for herein.

5.3. The resources, which have been paid into the Guarantee Fund, shall be kept segregate from the Exchange assets and may be used only for ensuring of execution of the Trades. The Exchange shall account the resources paid by the Member into the Guarantee Fund in a sub-account opened for the respective Member.

5.4. Income from circulation of the resources of the Guarantee Fund shall be accumulated in the Guarantee Fund and used to cover the costs related to the managing of the Guarantee Fund.

5.5. The Member shall have an obligation to join the Guarantee Fund in accordance with the procedure described herein. Joining the Guarantee Fund shall mean an installment by the Member into the account specified by the Exchange in the amount and in accordance with the procedure provided for herein.

5.6. In order to facilitate the membership at the Guarantee Fund for those Members which have acquired the member status also at the NASDAQ OMX Tallinn and/or NASDAQ OMX Vilnius and considering that the Exchange, the NASDAQ OMX Tallinn and NASDAQ OMX Vilnius (hereinafter – the Baltic Exchanges) have harmonized the rules of the guarantee funds to the maximum extent, the Baltic Exchanges have entered into an agreement on the managing of the Guarantee Funds (hereinafter – Cooperation Agreement), in accordance with which the Baltic Exchanges carry out joint accounting of installments in guarantee funds. In accordance with the provisions of the Cooperation Agreement, the Exchange shall provide the following services in addition to the services specified herein to the Members for which the Exchange is an exchange of their country of origin:

5.6.1. inform the Member about the amount of the necessary installments to be made in the guarantee fund of another Baltic Exchange;

5.6.2. ensure the transfer of the Member's installment that has to be transferred into the guarantee fund of another Baltic Exchange to the respective Exchange;

5.6.3. inform the Member about the refunding of the assets of the guarantee funds of other Baltic Exchanges and, upon request of the Member, ensure the disbursement of these assets to the Member or the transfer of the assets into that guarantee fund of the Baltic Exchange into which the Member has to make an additional installment in accordance with the periodic installment calculated by the Exchange;

5.6.4. in cooperation with other Baltic Exchanges, it shall organize the calculation of periodic installments, taking into account the trading activity of the Member in each of the Baltic Exchanges and inform the Member about the amount of the calculated periodic installment. If necessary, the Exchange shall make a transfer from the Guarantee Fund to a guarantee fund of another Baltic Exchange;

5.6.5. in cooperation with other Baltic Exchanges, convert installments in the currency used to account the assets of guarantee fund, using the official exchange rate of the respective country;

5.6.6. provide the Member with other information about the rules and requirements of the guarantee funds of the Baltic Exchanges.

The Exchange of the Country of Origin in the meaning of these rules shall be the Baltic Exchange with which the Member is registered in the same country. If the Member has not been registered in any of the

Baltic States (Latvia, Lithuania or Estonia), the Baltic Exchange which first has given a member status to the Member or which the Member has specified as the Exchange of the Country of Origin in the application form for the obtaining of the member status shall be the Exchange of the Country of Origin.

5.7. The Guarantee Fund of the Exchange shall be composed of the following Member installments:

5.7.1. the initial installment in the amount of 5000 EUR, which the Member shall pay in the Guarantee Fund when obtaining the Member Status in one of the Baltic Exchanges for the first time. If the Member Status has been obtained in more than one of the Baltic Exchanges simultaneously, the Member shall make the initial installment to the exchange of the country of origin, which shall divide this installment in proportion to the number of Exchanges where membership status is attained, and transfer the relevant amount to each Baltic Exchange in accordance with the Cooperation Agreement;

5.7.2. periodic installments the amount of which shall be determined in accordance with the methodology provided for in Appendix 1 appended hereto, taking into account the trading activity of the Member in last six months (the half-year installment). If the recalculated periodic installment is higher or lower than 100 EUR or 2% of the amount of the previous half-year installment, the amount of the periodic installment shall be equal to the amount calculated in the previous half-year.

5.7.3. extraordinary installments - the amount of and the procedure of payment thereof shall be determined upon an individual decision of the Management Board of the Exchange, taking into account the increase in trading activity or other conditions that have been indicative of the necessity to increase the amount of the Guarantee Fund;

5.7.4. other installments to be made in accordance with the Rules.

5.8 A company which is applying for the status of the Exchange Member and which have not yet obtained the member status at any other Baltic Exchange shall make the initial installment in the Guarantee Fund not later than on the day on which the Exchange takes the decision about the granting of the Member status. If the Member has not paid the specified amount into the Guarantee Fund, the Exchange shall not allow the Member to perform Trades within the Trading System of the Exchange.

5.9 In case the Member, after obtaining the member status at the Exchange, acquires a member status at another Baltic Exchange, the amount contributed by the Member to Guarantee fund shall be distributed in proportion to the number of exchanges, and the Exchange shall transfer the pertaining amount to the Guarantee fund of the respective Exchange in the procedure provided for in the Cooperation Agreement.

5.10 Periodic installments and one-off contributions payable by the Member shall be made not later than within three days after receiving an invoice from the Exchange, unless there is other term specified in the invoice.

5.11. If the Exchange is the exchange of the country of origin of the Member and the Member is acquiring or has acquired also the member status of any other Baltic Exchange, the installments that are to be collected in accordance with the rules of the guarantee fund of some other Baltic Exchange, shall be paid in the Guarantee Fund of the Exchange. The Exchange shall transfer these installments to the guarantee fund of the respective Baltic Exchange in accordance with the procedure and the terms provided for in the Cooperation Agreement.

5.12. If the exchange of the country of origin of the Member is another Baltic Exchange, the installment of the Member in the Guarantee Fund shall be considered made as of the moment when this installment is paid in the guarantee fund of the Baltic Exchange that is the exchange of the country of origin of the Member. The installments of the Members in the Guarantee Fund referred to in this Section shall be made in accordance with the procedure and terms provided for in the Cooperation Agreement.

5.13. If the Member has not made the extraordinary installment into the Guarantee Fund in case the Management Board of the Exchange has determined the necessity of such installments in accordance with Section 5.7.3 hereof or if the Member has not made the periodic installment calculated by the Exchange in due time, the Exchange shall have rights to take the following actions:

5.13.1 to restrict temporarily the trading of the Member, by prohibiting large-scale trades, since the substantial amount of trades poses or might pose the risk of delayed payments for the concluded trades;

5.13.2. to request the Member to make immediately the periodic or extraordinary installment into the Guarantee Fund;

5.13.3. to suspend completely or partly the trading of the Member until the Member pays the periodic or extraordinary installment determined by the Exchange into the Guarantee Fund ;

5.13.4. to apply other measures (e.g. to request the depositing of additional assets with a credit institution or to provide any other collateral).

5.14. The assets of the Guarantee Fund may be used only to pay for Trades concluded (automatched) on the Exchange.

5.15. The assets of the Guarantee Fund shall not be used :

5.15.1. to ensure settlements for the trades registered with the Exchange;

5.15.2. to ensure settlements for the trades concluded (automatched) on the Exchange in case the customer and the seller is one and the same Member of the Exchange;

5.15.3. to ensure settlements for trades performed within the Trade System of the Exchange during the initial placement of financial instruments.

5.16. The Exchange shall have the right to use the assets of the Guarantee Fund to ensure settlement of the trades for which the Member has not provided the settlement in due time (hereinafter – postponed trades) and in accordance with the provision that the settlement of the postponed trade shall be made not later than within three days of the initially specified settlement date of the trade. The provision on the limited settlement period shall not be applied if the Exchange uses the assets of the Guarantee Fund in the cases referred to under Section 5.20 hereof.

5.17. The Exchange shall use the right referred to in Section 5.16 of these Rules if the delayed settlement may pose risks to a continuous and safe operation of the market.

5.18. If the Exchange decides to use the assets of the Guarantee Fund to ensure the settlement of a postponed trade (except the cases referred to under Section 5.20 hereof), the assets of the guarantee Fund shall be used in the following succession:

5.18.1. the periodic and extraordinary installments to the Guarantee Fund by the defaulted Member are used ;

5.18.2. if the amount paid into the Guarantee Fund by the Member is insufficient, payments made by other Members shall be used proportionally to the common share of each Member;

5.18.3. if necessary, the Exchange shall have the right to use also other assets accumulated in the Guarantee Fund.

5.19 In case the Exchange has used the Guarantee Fund assets to settle a suspended trade, the exchange shall be entitled to keep the financial instruments obtained with the Guarantee Fund assets till the Member has made the required contributions to the Guarantee Fund.

5.20. If the Member is declared insolvent or if upon decision of a government institution the Member has been restricted to act freely with its accounts of monetary or financial instruments, the Exchange may take the following actions:

5.20.1. cancel the trades which the Member has concluded before the declaration of its insolvency or the said decision of a government institution and the settlement of which has not been performed and in which the Member is both the customer and the seller;

5.20.2. cancel the Member's registered trades for which the settlement has not been made;

5.20.3. by using the assets of the Guarantee Fund, perform the trades which the Member has concluded with another Member and the settlement of which has not been performed. The Exchange shall transfer the financial instruments obtained in the result of the said trades in accordance with the procedure specified in the relevant decision of the Management Board of the Exchange.

5.21. In cases referred to in Section 5.20 of the Rules, the assets of the Guarantee Fund and other guarantee funds of the Baltic Exchanges shall be used in the following succession:

5.21.1. to pay the periodic or extraordinary installments of the Member which is declared insolvent or whose activity is otherwise restricted into the Guarantee Fund and other guarantee funds of the Baltic Exchanges if the Member has obtained the member status at other Baltic Exchanges. Any installments made by the Member in other guarantee funds of the Baltic Exchanges shall be used upon condition that the respective Baltic Exchange has provided its agreement on the said use of the assets and the Member does not have any postponed trades in the result of non-provision of money assets in due time at that Exchange .

5.21.2. If the assets referred to in Section 5.21.1 of the Rules are insufficient, money paid into the Guarantee Fund by other Members shall be used proportionally to the common share of each Member;

5.21.3. if necessary, the Exchange shall have the right to use also other assets accumulated in the Guarantee Fund.

5.22. The Member whose Trades had been settled using the assets of the Guarantee Fund shall repay in the Guarantee Fund the amount taken from the Guarantee Fund. The payment referred to in this section shall be made by the Member in the amount and within the time limit and in accordance with the procedure determined by the Management Board of the Exchange.

5.23. The amount paid in accordance with the provisions of section 5.22 hereof, shall be transferred to the Guarantee Fund and accounted in the Members' sub-accounts according to the amount of assets used from the Guarantee Fund. Firstly, the used assets of other Members shall be compensated.

5.24. If assets of the Guarantee Fund paid by all the Members are used, partially or to full extent, to ensure the settlement of trades concluded on the Exchange, Member shall be obliged to renew the contributions to Guarantee Fund. The amount of extra contribution, during a year, may not exceed a double amount of the last periodic contribution payable by the Member. The said condition shall not be applicable to the defaulted Member who caused the use of Guarantee Fund assets.

5.25. If assets of the Guarantee Fund paid by all the Members are used, partially or to full extent, to ensure the settlement of trades concluded on the Exchange, the Exchange shall send the information on use of the assets of the Guarantee Fund and the procedure of the supplement of the Guarantee Fund to all the Members.

5.26. If a Member terminates its membership at the Exchange or if its membership has been cancelled, the assets which have been paid into the Guarantee Fund by the Member shall be returned, upon relevant request of the Member, when all the Trades that have been concluded or reported on the Exchange on behalf of the Member and its obligations against the Guarantee Fund are settled.

5.27. The Member shall be entitled to submit an application, claim or any other form of submission to the Exchange on any issues in respect of the operation of the Guarantee Fund or the Member's rights and responsibilities and to receive a justified reply in writing.

6. Changes to the Trades or settlement terms and conditions

6.1. The Exchange may change the information about execution of the Trades or settlements prior to the settlement day (S day). The Exchange may change such information only if requested so by the Member who has made the Trade and if the other Member involved in the Trade has given its consent to such an amendment.

6.2. The Member may request a change to the following conditions of the Trade and payments:

6.2.1. change the payment day;

6.2.2. change the status of the Trade from a Trade concluded on the Exchange to a Trade reported on the Exchange;

6.2.3. Cancel the concluded Trade.

6.3. In case the Exchange does not agree to the changes in Trade or settlement terms and conditions, the Exchange shall send a respective notification to the Member immediately.

7. Settlement liability

7.1. The Member shall monitor and shall ensure that the settlement of its Trades concluded or reported by it on the Exchange are made in accordance with the provisions herein and the rules of the LCD.

7.2. If the Member, who has been involved in the Trade, is not the settlement agent, the Member shall become liable for settlement from the moment when the settlement agent specified by the Member has not approved the settlement within the term provided for in the rules of the LCD.

7.3. In case of default, the Member to whom losses have been incurred may apply to the Exchange in order the Exchange would demand compensation of the losses, incurred from the Member who has had insufficient amount of financial instruments or money resources for settlement.

7.4. Insufficient cash amount:

7.4.1. If the Exchange has received a notification from the LCD about postponing of a Trade due to an insufficient cash amount, the Exchange shall notify thereof both Members involved in the respective Trade;

7.4.2. If the Member has not ensured the cash amount necessary for execution of the Trade within the period provided for in the rules of the LCD, the Exchange shall use resources existing in the Guarantee Fund for payments for the Trade;

7.4.3. If an amount of resources from the Guarantee Fund is insufficient for execution of the postponed Trade, the other party to the Trade shall be notified about the amount of a missing amount and details of the Member due to whom the settlement has been postponed;

7.4.4. If resources from the Guarantee Fund are employed in order to settle the trade, the Exchange may suspend the Member until the moment when the Member has made instalments to the Guarantee Fund, in accordance with section 5.22, and has paid a penalty in the amount provided for in section 7.6 of the Rules.

7.5. Insufficient amount of financial instruments:

- 7.5.1. If the Exchange has received a notification from the LCD that the Trades cannot be settled due to an insufficient amount financial instruments, the Exchange shall inform thereof the Members involved in the Trade;
- 7.5.2. If the amount of financial instruments, which is necessary settlement, has not been provided as of the settlement day stated in the rules of the LCD, the settlement for the Trade shall be postponed until the moment when the necessary amount of financial instruments has been ensured. The Exchange shall inform both Members involved in the Trade about postponing of the settlement immediately;
- 7.5.3. The Management Board of the Exchange may impose a penalty in the amount specified in section 7.6 of the Rules on a Member which has failed to provide a sufficient amount of cash or financial instruments for settlement. The penalty charged from the Member shall be transferred into the Guarantee Fund and used to cover the costs related to the managing of the Guarantee Fund.
- 7.5.4. Upon receipt of a notification from the LCD about insufficient amount of financial instruments, the Exchange may resolve on suspending a member until it has provided the required amount of financial instruments for settlement, or, alternatively, has arranged with the counterpart on cancellation of the trade and paid the penalty fee specified in item 7.6 of the present Rules.
- 7.6. If the Member has not ensured the cash or financial instruments necessary for settling its Trades, the Member shall pay a penalty in the amount of 50 lats, as well as an amount 0.1% of the value of a postponed Trade value, however, not more than 500 Lats, per each postponed day. The Management Board of the Exchange shall decide on application of a penalty. The decision of the Management Board of the Exchange may be appealed in accordance with the procedure provided for in the Member Rules of the Exchange.

8. Other provisions

- 8.1. The present Rules shall enter into effect by a separate decision of the Exchange Supervisory Board.
- 8.2. Upon entering into force of the present Rules, the following acts shall become null and void:
- 8.2.1. Regulation "On Money and Financial Instrument Payments" approved by the Riga Stock Exchange Supervisory Board on January 23, 2004;
- 8.2.2. "Rules of the Guarantee Fund of Riga Stock Exchange" approved by the Riga Stock Exchange Supervisory Board on March 22, 2004.

*** Remark:**

According with the amendments to the Rules that come into effect into 1 February 2007, for those Exchange Members which have obtained the Member Status prior to entering into force of the amendments to the Rules, the Exchange shall determine the amount of the periodic installment to be paid for the next half year on the basis of the Member's trading activity in the preceding half-year. While setting the amount payable by a Member, the Exchange shall take into account the amounts paid by Member to the Guarantee Fund prior to 1 February, 2007.