

CONTENTS

1. General Provisions	2
2. Clearing Agent and Clearing Agreement	4
3. Use of Funds of Member Firm and Client	5
4. Transfer of Data From Trading System to Settlement System.....	6
5. Exchange Guarantee Fund.....	7
6. Amendment of Exchange Transactions	9
7. Activities of Exchange upon Organisation and Securing of Settlements	11
8. Exchange transactions with cross-border settlement	21
9. Sanctions	23

1. GENERAL PROVISIONS

- 1.1. For the purposes of these "Rules for Clearing and Settlement of Exchange Transactions" (hereinafter the *Clearing and Settlement Rules*), clearing of exchange transactions shall mean execution of exchange transactions i.e. the execution of transactions conducted in markets organized by the Exchange, including multilateral trading system in accordance with the provisions of the Rules.
- 1.2. For the purposes of these Clearing and Settlement Rules, the settlement of exchange transactions shall mean execution of obligations arising from exchange transactions by transfers of securities and money, according to the conditions of the exchange transactions executed by the member firms on the basis of the settlement details submitted by the member firm to the keeper of the of the Estonian Central Register of Securities (hereinafter: *ECSD*) and the execution of operations necessary for clearing and settling the transactions by the Exchange.
- 1.3. For the purposes of these Clearing and Settlement Rules, the settlement details shall mean an order given to ECSD by a member firm for the transfer of securities in order to execute the obligations arising from an exchange transaction, which contain information necessary for the execution of the transaction.
- 1.4. Unless otherwise provided by the Clearing and Settlement Rules, the clearing and settlement of exchange transactions shall be effected according to the rules established therefore by ECSD and/or a person organising the clearing and settlement of transactions (hereinafter: *ECSD Rules*). Unless provided otherwise, the definitions presented in the Clearing and Settlement Rules shall be used in the meaning specified in the ECSD Rules.
- 1.5. The composition of data contained in the trade data and settlement details forwarded by a member firm for clearing and settlement of exchange transactions shall be determined by the provisions of the rules for the use of the Exchange trading system and the ECSD Rules.
- 1.6. The clearing and settlement of exchange transactions shall be effected on the settlement date of the transaction (*S*). The settlement date of an exchange transaction shall be determined according to the rules for the use of the trading system. In case of automatic order matching, the settlement date of the transaction shall be the third exchange day (*T+3*) following the transaction date (*T*). Member firms can agree upon a settlement date that differs from that by filing a relevant application with the Exchange according to the procedure prescribed by the Exchange. In case of manual trade, the member firms may determine that the settlement date of the transaction is from *T+1* until *T+6*. Member firms may agree on a different settlement date of the transaction than the one provided in the previous sentence may be agreed only on the consent of the Exchange.
- 1.7. A member firm shall be held responsible for securities and money necessary for clearing and settling transactions being available on the respective current and securities accounts, both in the case of

transactions in the name and on the account of the member firm as well as in the name and on the account of their clients.

- 1.8. The Exchange shall control the possibility of clearing and settlement of transactions. The Exchange has the right to make changes to the terms and conditions of exchange transactions and to amend the settlement details and trade data in the cases and according to the procedure provided by these Clearing and Settlement Rules and ECSD Rules.

2. CLEARING AGENT AND CLEARING AGREEMENT

- 2.1. A member firm, which is not a credit institution that is an ECSD account operator shall have a valid clearing agreement with a credit institution which is an ECSD account operator (hereinafter: the *Clearing Agent*) for clearing and settlement of exchange transactions. By agreement of the Exchange Management Board, a foreign member firm may arrange the clearing and settlement of exchange transactions through an ECSD account operator, which conforms to the requirements provided in subsection 32 (2) of the Estonian Central Register of Securities Act (hereinafter: the *Foreign Clearing Agent*). In such a case, the member firm need not conclude a clearing agreement with a credit institution, which is an ECSD account operator. The Exchange Management Board shall refuse to grant the above-mentioned consent if the settlement of exchange transactions by the foreign member firm has not been arranged according to the legislation of their country of seat or does not ensure the due execution of the obligations arising from exchange transactions according to the assessment of the Exchange Management Board.
- 2.2. A clearing agreement is an agreement concluded by a member firm with a Clearing Agent, on the basis of which the financial obligations arising from the exchange transactions of the member firm are settled under the settlement details forwarded by them through the correspondent account of the Clearing Agent with the Bank of Estonia. The conditions of and procedure for clearing and settlement through the correspondent account of the Clearing Agent shall be specified in the ECSD Rules.
- 2.3. Settlement of the financial obligations between a Clearing Agent and a member firm shall be effected according to the conditions and procedure provided by a clearing agreement or other agreement between them.
- 2.4. A member firm shall be obliged to submit a copy of the clearing agreement to the Exchange. Five banking days before the expiry of the clearing agreement at the latest, the member firm shall be obliged to submit a copy of the new clearing agreement that shall enter into force on the day following the date of expiry of the previous clearing agreement at the latest.

3. USE OF FUNDS OF MEMBER FIRM AND CLIENT

- 3.1. Each member firm, which is not a credit institution that is an ECSD account operator, shall have a clearing account with the Clearing Agent. For the purposes of these Rules, a clearing account is a current account of a member firm that is used for financial settlements arising from the execution of the exchange transactions concluded by the member firm.
- 3.2. The conditions of and procedure for using the clearing account shall be determined in the clearing agreement concluded between a member firm and their Clearing Agent according to the provisions provided in section 2.2 of these Clearing and Settlement Rules.
- 3.3. A member firm shall be obliged to use one or more clearing accounts of the client for financial settlement of the obligations arising from the transaction executed on the account of the client. For the purposes of these Rules and Regulations, a clearing account of the client of a member firm (*Client Account*) is a special current account opened by the member firm with their Clearing Agent for the maintenance of the funds of the clients of the member firm. The funds of one or more clients of the member firm shall be maintained in the Client Account of the member firm.
- 3.4. A member firm shall be obliged to keep account of the funds in the Client Account of the member firm and the personal bank account of the client in respect of which the client has granted to the member firm the right of disposal according to the provisions of legislation and rules established by the Exchange.
- 3.5. The provisions of this chapter shall not be applied to such a foreign member firm that arranges the settlement of exchange transactions through the Foreign Clearing Agent specified in section 2.1.

4. TRANSFER OF DATA FROM TRADING SYSTEM TO CLEARING AND SETTLEMENT SYSTEM

4.1. The data (the *trade data*) concerning the conditions of the exchange transactions executed in the Exchange trading system, which are contained in transaction orders and trade data shall be transferred to the clearing and settlement system used for clearing and settling exchange transactions with the following specifications:

4.1.1. *Repealed - entered into force 27.09.2004*

4.1.2. as the price of the exchange transaction executed with bonds shall be specified as a percentage of the nominal value of the bond in the trading system, the price of the bond shall be recalculated before the transfer of data to the clearing and settlement system, as a result of which the price of the bond shall be displayed in the trade data as the price of the bond in euros.

5. EXCHANGE GUARANTEE FUND

5.1. General provisions

5.1.1. For the purposes of the provisions concerning the Exchange guarantee fund, the following terms shall be used in the following meaning:

5.1.1.1. "Baltic Exchanges" – Riga, Vilnius and Tallinn Exchanges.

5.1.1.2. "Home Exchange" – in the case of an investment firm or a credit institution registered in a Baltic State, the Baltic Exchange operating in that Baltic State where the investment firm is registered. In the case of an investment firm or credit institution registered outside the Baltic States (*the Republic of Estonia, the Republic of Latvia and the Republic of Lithuania*), that Baltic Exchange to whom the application for membership status was filed first or through whom an application for membership application was filed to other Baltic Exchanges."

5.1.2. The purpose of the Exchange guarantee fund is:

5.1.2.1. to ensure the execution of exchange transactions on the conditions and to the extent provided in this part of the Rules; and

5.1.2.2. to cover the expenditure and loss resulting from the application of measures and remedies intended for ensuring the execution of exchange transactions.

5.1.3. The Exchange guarantee fund shall be used on the conditions and pursuant to the procedure provided in this part of the Rules exclusively for ensuring the execution of automatically matched exchange transactions to the extent as allowed by the amount of the guarantee fund as at a particular moment of time.

The Exchange guarantee fund shall not be used for ensuring such automatically matched exchange transactions where the buyer and seller is at the same time one and the same member of the Exchange (*i.e. both the buy and sell order has been placed by the same member of the Exchange*).

The Exchange may disclose on its website the information concerning the amount of the guarantee fund.

5.1.4. To facilitate compliance with the requirements for different Baltic Exchange guarantee funds by those members who have acquired a membership status on at least two Baltic Exchanges, the Baltic Exchanges have, in addition to the as broad as possible harmonisation of the requirements for the guarantee funds, entered into a cooperation agreement concerning the organisation of guarantee funds (hereinafter: Cooperation Agreement), on the basis of which common

records are kept of the contributions payable to the Baltic Exchanges, and in accordance with which the Home Exchange:

- 5.1.4.1. shall notify a member firm of the claims for the payment of contribution to the other Baltic Exchange guarantee fund;
- 5.1.4.2. shall arrange for the transfer of contributions, which are payable on the basis of the claims specified in the above subsection, to the other Baltic Exchange guarantee fund, provided the member firm has transferred to the Home Exchange the contribution payable under the claim;
- 5.1.4.3. shall inform the member firms of the funds in the other Baltic Exchange guarantee fund which are repayable to the member firms and shall arrange for, at the request of the member firm, the repayment or reinvestment of such funds from one Baltic Exchange guarantee fund to another Baltic Exchange guarantee fund, respectively;
- 5.1.4.4. shall organise, in cooperation with the other Baltic Exchanges, the accounting of regular contributions based on the trading activity of a member firm and, if necessary, the reinvestment between different Baltic Exchange guarantee funds based on the accounting results of previously paid contributions;
- 5.1.4.5. shall make, if necessary, in cooperation with the other Baltic Exchanges, currency exchange transactions, based on the official exchange rate published by the central bank of a corresponding Baltic state, in order to have the requirements set out in subsections 5.1.4.2-5.1.4.4 fulfilled;
- 5.1.4.6. shall coordinate the information exchange relating to the requirements for the Baltic Exchange guarantee funds in other respects between a member firm and other Baltic Exchanges.

5.2. Formation of the guarantee fund

- 5.2.1. The Exchange guarantee fund shall be set up of:
 - 5.2.1.1. the periodical contributions payable on the grounds and in the amount approved by a resolution of the Board of the Exchange (e.g. a *half-year contribution*);
 - 5.2.1.2. special additional contributions payable on the grounds and in the amount approved by a resolution of the Board of the Exchange;
 - 5.2.1.3. other funds whose transfer to the guarantee fund is provided by the Rules.

- 5.2.2. Before commencing trading on the Exchange, a member firm shall make the first regular contribution to the Exchange guarantee fund. For payment of the contribution into the Exchange guarantee fund, the member firm shall pay the required amount to the account of the Exchange guarantee fund opened by the Exchange for this purpose.

A member firm who has or applies for membership on more than one Baltic Exchange shall pay the contribution payable into the different Baltic Exchange guarantee funds, special additional contributions and other payments prescribed by the rules concerning the given Baltic Exchange guarantee fund to the Home Exchange who, in accordance with the Cooperation Agreement, shall arrange for the transfer of received payments to the given Baltic Exchange.

- 5.2.3. The principles for determining the amount of contributions (*periodic as well as special additional contributions*) of the Exchange guarantee fund and the terms of payment shall be established by the Board of the Exchange, taking into account the legislative requirements on the size of the guarantee fund, trading activity, volume and number of transactions on the market, other possible relevant circumstances and risks and the overall situation on the market.
- 5.2.4. In the cases provided by the Rules, the Board shall be entitled to require, if necessary, that member firms make additional contributions to the Exchange guarantee fund at the dates, degree and procedure as laid down by the Board of the Exchange. The Board of the Exchange may determine the maximum amount of the guarantee fund.
- 5.2.5. Upon keeping the assets of the guarantee fund and investing the funds of the guarantee fund, the Exchange shall be subject to restrictions provided by legislation. The Board of the Exchange may establish a more detailed procedure for keeping and investing the assets of the guarantee fund as well as internal accounting regarding the assets of the guarantee fund.

5.3. Procedure for reimbursement of contribution

- 5.3.1. A member firm that cancels the membership of the Exchange or whose membership is cancelled in accordance with the provisions of the Rules and Regulations, has the right to demand reimbursement of the contribution paid by them. If the contribution of the member firm has been, by a resolution of the Exchange Management Board, used to settle their debt to the Exchange, a member firm or an investor, also if the resources of the Exchange guarantee fund have been used by a member firm to compensate for the damage caused to another member firm, the Exchange or an investor, the Exchange Management Board shall determine the amount to be reimbursed, taking into account the amount of payments made from the guarantee fund.

- 5.3.2. A resolution concerning the reimbursement of the contribution shall be made within three (3) months of the date specified in section 5.3.1. The part of the contribution that is to be reimbursed shall be returned to the member firm within ten (10) Exchange days after the adoption of the said resolution.

5.4. Use of funds of the guarantee fund

- 5.4.1. The Exchange shall use the assets of the guarantee fund, above all, in case it appears that the exchange transaction specified in subsection 5.1.3 is non-executable due to insolvency of a member firm.

For the purposes of this section, insolvency involves the institution of bankruptcy proceedings, the declaration of a moratorium or any other similar proceedings, which lead to restrictions on the disposal of the assets owned by a member firm.

- 5.4.2. The Exchange may use the guarantee fund assets in case the exchange transaction specified in section 5.1.3 is non-executable in addition to a reason other than that provided in subsection 5.4.1.

The right provided in this subsection shall be used by the Exchange, above all, in the event that the non-execution of the exchange transaction specified in subsection 5.1.3 would apparently endanger the regular functioning of the market or if the part of the guarantee fund required for ensuring the execution of the exchange transaction is smaller than or equal to the total amount of contributions made to the Exchange guarantee fund by a member firm who has caused the matter that the transaction cannot be executed.

- 5.4.3. In the events specified in subsections 5.4.1 and 5.4.2, the Exchange shall use the assets of the Exchange guarantee fund pursuant to the procedure established in this part of the Rules so as to ensure the execution of the transaction at the latest within three banking days as of the value day initially determined for the transaction.

- 5.4.4. Upon the request of the other Baltic Exchange, the consent of the Exchange, and on the conditions and pursuant to the procedure provided in the Cooperation Agreement, the contributions paid into the Exchange guarantee fund by a member firm that operates on more than one Baltic Exchange may be used to secure the transactions made by that member firm on another Baltic Exchange. The Exchange shall grant the consent provided in the previous sentence only in the case where the contributions of the member firm concerned are not required to secure transactions on the Exchange. The contributions given by the Exchange to the disposal of the other Baltic Exchange shall be repaid at the first possibility to the Exchange guarantee fund on the conditions and pursuant to the procedure provided by the Cooperation Agreement.

5.4.5. Upon using the assets of the guarantee fund, the Exchange shall adhere to the following order:

5.4.5.1. In the first order – a periodic contribution and potential special additional contributions paid to the Baltic guarantee fund by a member firm who has caused the use of the guarantee fund;

5.4.5.2. In the second order – proportionally the contributions paid by other member firms to the guarantee fund;

5.4.5.3. In the third order – other funds of the guarantee fund;

5.4.5.4. If the use of the guarantee fund has been caused by a member firm specified in section 5.1.4, the Exchange may, in addition to the contributions specified in subsection 5.4.5.1, also use in the first order the contributions made by such member firm to the other Baltic Exchange guarantee fund provided the other Baltic Exchange has given its consent to this effect, after being convinced that the contributions of the member firm concerned are not required for securing transactions on that Baltic Exchange.

5.4.6. Upon insolvency of a member firm, the Exchange:

5.4.6.1. shall invalidate the transactions specified in subsection 5.1.3 in the case of which both the buy and sell transaction has been made by an insolvent member firm (*invalidation of the internal transactions of an insolvent member firm*);

5.4.6.2. shall arrange for the fulfillment of obligations arising from the automatically matched transactions between an insolvent member firm and other member firms on account of the funds of the guarantee fund.

5.4.7. Use of the guarantee fund assets shall be decided by the Member of the Management Board or by the Exchange's employee appointed by the Management Board.

5.5. Restoration of the guarantee fund

5.5.1. Member firm whose financial shortfall that was caused by non-execution of its obligations is covered from the Exchange guarantee fund shall reimburse in addition to the payment made from the guarantee fund also all other costs related to the use of the guarantee fund as well as the fees for every Exchange day within the deadline and in accordance with the terms and conditions laid down by the Exchange.

5.5.2. In case the member firm for whose non-execution of obligations the funds of the guarantee fund were used fails to reimburse the payments made from the guarantee fund and other costs related to the use of the guarantee fund and fees provided in clause 5.4.1 within the specified term, the Exchange shall have the right request for additional collateral (*bank*

guarantee, pledge of securities) and payment of penal interest from the amount due at the rate laid down by the Exchange for every delayed day.

- 5.5.3. In case the size of the guarantee fund falls below statutory minimum level, the Exchange shall restore the guarantee fund within a three months time to at least the minimum statutory by requiring that member firms make additional equal contributions to the Exchange guarantee fund.

The Exchange has the right to establish the maximum limit of the monetary amount that cannot be exceeded by restoration claims under this clause within the period of calendar year.

6. AMENDMENT OF EXCHANGE TRANSACTIONS

6.1. General provisions

For the purposes of these Clearing and Settlement Rules, amendment of exchange transactions shall mean amendment of the conditions of exchange transactions, of trade data and settlement details until the banking day preceding the settlement date of the transaction (S-1). Amendments can be made according to the schedule of data-processing operations established on the basis of the ECSD Rules.

6.2. Amendment of conditions of exchange transaction

6.2.1. Only the Exchange has the right to amend the conditions of an exchange transaction. Unless otherwise provided by these Clearing and Settlement Rules or Member Rules, the Exchange shall amend the conditions of the exchange transaction based on a motivated application of the member firm serving as a party to the transaction, provided that the other party to the transaction has also granted their consent to the amendments requested.

6.2.2. A member firm has the right to submit to the Exchange an application for the amendment of the following conditions of an exchange transaction:

6.2.2.1. amendment of the settlement date of the transaction;

6.2.2.2. conversion of the status of the exchange transaction into a transaction with off-exchange settlement;

6.2.2.3. cancellation of the exchange transaction.

6.2.3. If the Exchange refuses to make the above-mentioned amendments to the conditions of the exchange transaction, the member firm that submitted the application shall be immediately notified thereof.

6.3. Amendment of data contained in the settlement details by member firm

6.3.1. A member firm has the right to amend the settlement details made by them for execution of an exchange transaction, if the settlement details have not been confirmed or have been confirmed by the member firm for the purposes of the ECSD Rules.

6.3.2. If the confirmation of the account operator has been attached to the settlement details, the member firm has no right to amend them. The member firm has the right to order the account operator who certified the settlement details to cancel the settlement details.

6.4. Off-exchange settlement of exchange transactions

- 6.4.1. As a rule, settlement of exchange transactions shall be effected according to the chapter "Securities Transfers Based on Exchange Transactions" of the ECSD Rules. On the basis of a motivated application of a member firm and on condition that the member firm serving as the counterparty to the transaction agrees thereto, the Exchange may allow settlement of the transaction executed through the trading system of the Exchange according to the provisions of the chapters "Securities Transfer Against Payment" and "Securities Transfer Without Payment" of the ECSD Rules (so-called *Off-exchange Settlement of Exchange Transaction*).
- 6.4.2. After the conversion of the status of the exchange transaction into an off-exchange transaction, the member firm shall arrange an additional entry of the conditions of the transaction and the settlement of the transaction through the ECSD account operators as "transfer of securities without payment" or "transfer of securities against payment" according to the conditions provided by the ECSD Rules.
- 6.4.3. The off-exchange transaction shall be settled through the ECSD account operator with the settlement date of T+5 at the latest, where the date of entering the trade data in the Exchange trading system shall be regarded as the date T. If the transaction has not been settled during that period, the member firm shall immediately notify the Exchange thereof.
- 6.4.4. The measures provided by these Rules and Regulations shall not be applied to secure the execution of off-exchange transactions. Off-exchange transactions shall be executed on the own responsibility of the member firms.

7. ACTIVITIES OF EXCHANGE UPON ARRANGEMENT AND SECURING OF SETTLEMENTS

7.1. General provisions

7.1.1. The Exchange has the right to issue mandatory precepts to member firms, if the member firm as failed or is, according to the Exchange, unable to execute, either partially or fully, their obligations arising from the clearing and settlement of exchange transactions either in the name and on the account of the member firm or on the account of the client.

7.1.2. The Exchange has the right to impose additional requirements on the member firm that is related to an exchange transaction the settlement of which has partially or fully failed, or in respect of whom there are grounds to believe that they are unable to execute the obligations arising from the settlement of their exchange transaction and related thereto.

7.1.3. A delay caused by a technical error of the member firm, measures taken by the Exchange or other reason upon the settlement of the exchange transaction shall not serve as the basis for cancellation of the exchange transaction and shall not grant a party to the transaction the right to unilaterally refuse to settle the transaction, except in the cases provided in section 4.1 of the Member Rules. If the delay upon the settlement of the exchange transaction was caused by the activities or omission of a party to the transaction, as a result of which the other party incurred proprietary damage, the other party to the transaction has the right to demand of the delaying party compensation for the proprietary damage, except for the revenue forgone, caused by the delay upon the settlement of the transaction.

7.1.4. The Exchange has the right to apply to a member firm that has, according to the assessment of the Exchange, either partially or fully responsible for the failure to settle an exchange transaction, all the measures and sanctions provided by the Rules and Regulations of the Exchange as well as other aids and measures that have not been directly provided by the Rules and Regulations of the Exchange but the application of which is necessary in the particular situation according to the assessment of the Exchange. As such aid or measure, the Exchange may, *inter alia*, apply buy-in and sell-out of securities. All the orders given by the Exchange to the member firm concerning the aids and measures to be applied shall be mandatory to the member firm.

7.2. Settlement Limit

7.2.1. The total value of both the buy and sell transactions effected by a member firm both in their own name and their own account as well as on the account of the client during one exchange day may not exceed the limit (*settlement limit*) calculated on the basis of the contributions made to the Exchange guarantee fund and pursuant to the procedure established by the Board of the Exchange for securing the

execution of the obligations of the given member firm. The settlement limit shall be applied only to the transactions specified in subsection 5.1.3.

7.2.2. If a member firm exceeds the settlement limit, the Exchange may apply one or more of the following measures to the member firm:

7.2.2.1. to limit the trading activity of a member firm in respect of transactions which endanger or may endanger, due to the amount of obligations assumed by the given member firm, the execution of the exchange transactions in a timely manner;

7.2.2.2. to demand from the member firm the immediate payment of special additional contribution to the guarantee fund;

7.2.2.3. to suspend the trading of the member firm, either partially or fully, until the payment of the requested special additional contribution;

7.2.2.4. to apply to a member firm by its precepts any additional measures (*incl. the demanding of collateral, deposits, etc*), the application of which is considered necessary by the Exchange in order to ensure the orderly and lawful functioning of the market.

7.2.3. The Exchange has the right to apply measures specified in sections 7.2.2.1 – 7.2.2.4 also in case if the Member specified in section 5.1.4 has exceeded settlement limit established by the other Baltic Exchange or if the amount of obligations assumed by the given member on other Baltic Exchange may clearly endanger the due execution of the transactions entered into on the Exchange in a timely manner.

7.3. Verification of clearing and settlement of exchange transactions

7.3.1. The Exchange shall verify the possibility to clear and settle the exchange transactions according to the procedure for and schedule of the execution of the clearing and settlement operations of exchange transactions provided in the ECSD Rules.

7.3.2. In the course of the verification, the Exchange shall identify the possibility of clearing and settlement of the exchange transactions that are to be settled on the same settlement date (S). For that purpose, the Exchange shall verify the following circumstances:

7.3.2.1. the existence of the settlement details;

7.3.2.2. execution of the settlement details, i.e.:

7.3.2.2.1. the existence of a confirmation of a competent system member on the settlement details and

7.3.2.2.2. the availability of the amount of securities necessary for settling the exchange transactions on the securities account specified in the settlement details;

7.3.2.3. the existence of the confirmation of the debit net position given by the Clearing Agent.

7.4. Failure of settlement

7.4.1. An exchange transaction shall be considered a failed transaction, if:

7.4.1.1. the settlement details of neither party to the transaction have been attached to the trade data;

7.4.1.2. all settlement details necessary for executing the obligations arising from the exchange transaction have not been attached to the trade data;

7.4.1.3. the settlement details have been entered but a competent system member has not confirmed thereof;

7.4.1.4. the balance and status of the securities account specified in the settlement details do not, on the basis of the registration system data, allow for the execution of all the obligations to be executed in the settlement and specified in the settlement details;

7.4.1.5. the Clearing Agent or the Clearing Agent for cross-border Exchange transactions does not confirm the financial debit net position of the Exchange member which is not a credit institution or the net position of the Exchange member that complies with the requirements provided in the provisions of clause 8.2.

7.4.2. Extraordinary situations that cause failure of exchange transactions

For the purposes of these Clearing and Settlement Rules, extraordinary situations are situations in which the usual remedies provided in section 7.5 would endanger the operations of the securities market as a whole. Such situations include, *inter alia*, commencement or declaration of a moratorium or bankruptcy proceeding with regard to a member firm or their Clearing Agent.

7.4.3. The Exchange shall notify the cases of the failure of exchange transactions to the member firms that are responsible for the entry and execution of the respective settlement details but whose settlement details a) are either not there or b) do not ensure the execution of all the obligations arising from the transaction or c) can not be executed for any other reasons.

7.4.4. During the period provided by the schedule of the settlement operations of exchange transactions, the member firms have, *inter alia*, an opportunity for the settlement of the transaction:

7.4.4.1. to request the account operator attachment of their confirmation to the settlement details;

7.4.4.2. to borrow securities;

7.4.4.3. to require the Exchange to make amendments to the conditions of the exchange transaction.

7.5. Usual remedies applied by Exchange for eliminating circumstances causing failure of exchange transaction

7.5.1. If the settlement details necessary for the execution of the obligations arising from the exchange transaction of either party have not been attached to the trade data, the transaction will not be settled in the clearing and settling system.

7.5.2. If the settlement details necessary for the execution of the obligations arising from the exchange transaction of one party have not been attached to the trade data, the Exchange has the following rights.

7.5.2.1. In the case of a transaction in which a member firm is on the side of both the buyer and the seller according to the information contained in the trade data, the Exchange shall act as follows:

7.5.2.1.1. if according to the settlement details entered, the operations should be effected on the securities account opened in the name of the member firm but the settlement details for executing operations on the securities account of the client that used the services of the member firm are not there, the settlement date of the transaction shall be postponed. The settlement date of the transaction shall be postponed by one banking day but not more than five days;

7.5.2.1.2. if according to the settlement details entered, the operations should be effected only on the securities account of the client that used the services of the member firm, but the settlement details for executing operations on the securities account of the member firm are not there, the Exchange shall enter the missing settlement details for executing operations on the securities account opened in the name of the member firm and shall attach the confirmation of the member firm thereto.

7.5.2.2. In the case of a transaction in which the buyer and the seller are different member firms according to the information contained in the trade data and one member firm has failed to enter their settlement details, the Exchange shall enter the respective settlement details for executing operations on the securities account opened in the name of that member firm that has failed to enter the settlement details and

shall attach the confirmation of the member firm thereto.

7.5.3. If the settlement details of the exchange transaction have been entered but they have not been confirmed by a competent system member, the Exchange shall act as follows:

7.6.3.1. a transaction in which the member firm is both the buyer and the seller according to the information contained in the trade data, while the confirmation has been attached only to the settlement details given in respect of the securities account opened in the name of the member firm, the settlement date of the transaction shall be postponed. The settlement date of the transaction shall be postponed by one banking day but not more than five days;

7.6.3.2. in the remaining cases, the Exchange shall enter the respective settlement details for executing operations on the securities account opened in the name of the member firm that entered the settlement details to which a confirmation has not been attached and shall attach the confirmation of the member firm thereto.

7.5.4. If the balance of the securities account specified in the settlement details does not, according to the data of the register system, allow for the execution of all the settlement details to be executed in that settlement, the Exchange shall act as follows:

7.5.4.1. the amount of the transaction shall not be decreased for the settlement of the transaction;

7.5.4.2. if a sufficient amount of securities for clearing and settling the transaction is not available on the securities account of the member firm specified in the settlement details entered by the member firm, the Exchange shall postpone the settlement date of the respective transaction. The settlement date of the transaction shall be postponed by one banking day but not more than five days;

7.5.4.3. if a sufficient amount of securities for clearing and settling the transaction is not available on the account of the client specified in the settlement details entered by the member firm, the Exchange shall enter a debit settlement detail from the securities account opened in the name of the member firm and shall attach a confirmation of the member firm thereto. The described replacement shall not be effected if the securities necessary for clearing and settling the transaction are not available on the account of the member firm. In such case, the settlement date of the relevant transaction shall be postponed. The settlement date of the transaction shall be postponed by one banking day but not more than five days.

7.5.5. If the Clearing Agent does not confirm the financial debit net position of the member firm, which is not a credit institution for the full purpose of the ECSD Rules, the Exchange shall act as follows:

7.5.5.1. the Exchange shall identify the extent to which the Clearing Agent agrees to confirm the financial obligations of the member firm;

7.5.5.2. the Exchange shall decrease the financial debit net position of the relevant member firm by postponing the settlement of the transactions which contain the credit settlement detail to which a confirmation of the member firm has been attached in the smallest amount the allows for the confirmation of the debit net position by the Clearing Agent.

7.5.6. The usual remedies provided in subsections of section 7.5 may be applied by the Exchange in the case of all exchange transactions (*i.e. with negotiated trades as well as in the case of automatically matched exchange transactions*).

7.6. Handling of extraordinary situations

7.6.1. General provisions

7.6.1.1. The Exchange shall use the buy-in of securities, the sell-out of securities and the use of the Exchange guarantee fund as the aids aimed at securing the settlement of exchange transactions only in situations covered by sections 5.4.1 and 5.4.2. For the purposes of subsections of section 7.6 the term "exchange transaction" refers to the transaction specified in section 5.1.3 settlement of which could be secured by the Exchange by use guarantee fund assets.

7.6.1.2. For the purposes of these Clearing and Settlement Rules, buy-in of securities shall mean buying of securities as an exchange transaction by the Exchange, which are of the same class as the securities serving as the object of an exchange transaction not settled, if the objective of such buy transaction is the transfer of securities to a person entitled thereto in a situation in which settlement of the transaction failed or if the Exchange has grounds to believe that the settlement of the transaction on the settlement date of the transaction would fail.

7.6.1.3. For the purposes of these Clearing and Settlement Rules, sell-out of securities shall mean a sales transaction effected by the Exchange in respect of the securities, which are of the same class as the securities serving as the object of an exchange transaction not settled, if the objective of the sales transaction is the transfer of money to a person entitled thereto in a situation in which settlement of the transaction failed or if the Exchange has grounds to believe that the

settlement of the transaction on the settlement date of the transaction would fail.

7.6.1.4. Buy-in and sell-out of securities shall be effected according to the procedure established therefore by the Exchange.

7.6.1.5. In order to effect the buy-in and sell-out of exchange transactions, the Exchange shall use the resources of the Exchange guarantee fund and the securities account opened for that purpose in the name of the Exchange with ECSD (hereinafter: the *Exchange Collateral Account*).

7.6.1.6. For the purposes of these Clearing and Settlement Rules, the contract price of an exchange transaction is the sale and buying price of securities initially agreed by the parties in the exchange transaction, due to the settlement failure of which the buy-in or sell-out was effected.

7.6.2. Buy-in of securities

7.6.2.1. Buy-in of securities shall be effected, if the member firm, which is a seller according to the trade data of the exchange transaction, does not have a sufficient amount of securities serving as the object of the exchange transaction for executing the transaction.

7.6.2.2. Buy-in of securities shall be effected on the settlement date of the failed transaction, or, should that not be possible, on the earliest possible day. An exchange transaction for the securing of which the buy-in was effected shall be settled on its original settlement date or, when not possible, on the earliest possible day.

7.6.2.3. In order to effect a buy-in transaction of securities, the Exchange shall buy the securities necessary for clearing and settling the failed transaction as an exchange transaction and shall enter in this exchange transaction a crediting settlement detail in which they shall specify the Exchange Collateral Account as the securities account. On the basis thereof, the securities bought as a result of the transaction shall be transferred to the Exchange Collateral Account.

7.6.2.4. If the buy-in transaction has been settled or it is certain that it will be settled, the Exchange shall replace the debiting settlement detail of the initially failed exchange transaction by a debiting settlement detail in which the Exchange Collateral Account has been specified as the securities account. On the basis thereof, the securities necessary for clearing and settling the exchange transaction shall be taken from the Exchange Collateral Account.

7.6.2.5. ECSD shall transfer the money obtained from the sale of the securities serving as the object of the buy-in

transaction to the Exchange guarantee fund on the basis of the order received from the Exchange.

7.6.2.6. If the actual price of the bought-in securities is higher than the contract price determined by the parties, the Exchange shall cover the difference from the Exchange guarantee fund.

7.6.2.7. If the Exchange has covered the difference between the contract price and the buy-in price from the Exchange guarantee fund, the Exchange Member shall have the obligation to compensate such difference without delay.

7.6.2.8. The Exchange shall require the member firm, whose obligations were met through effecting the buy-in, to pay the difference referred to in 7.6.2.7. The member firm shall also be obliged to pay all the fees and expenditure related to the buy-in and arising therefrom.

7.6.2.9. If the actual price of the bought-in securities were lower than the contract price determined by the parties, the Exchange shall transfer the difference in the prices to the Exchange guarantee fund.

7.6.3. Settlement of exchange transaction on the account of guarantee fund resources. Sell-out of securities

7.6.3.1. A buy transaction of securities of the member firm shall be settled on account of the Exchange guarantee fund resources, if the Clearing Agent of the member firm does not confirm or is unable to confirm due to insolvency the debit net position of the member firm or the Bank of Estonia suspends settlement of the payments of the ECSD account operator serving as the Clearing Agent of the member firm in the Bank of Estonia.

7.6.3.2. In order to settle the exchange transaction executed by a member firm because of the resources of the Exchange guarantee fund, the Exchange shall replace the crediting settlement detail of the respective exchange transaction of the member firm by the crediting settlement detail from the Exchange Collateral Account. In such a case, the amount of money necessary for clearing and settling the transaction shall be taken from the Exchange guarantee fund and the securities serving as the object of the transaction shall be transferred to the Exchange Collateral Account. Consequently, if a buy transaction of securities has been settled, partially or in full, on account of the resources of the Exchange guarantee fund, the Exchange shall give an order to ECSD to transfer the securities which had been an object of the buy transaction to the collateral account opened with ECSD by the Exchange for this purpose.

- 7.6.3.3. If the Exchange has used the guarantee fund resources to settle a buy transaction of securities effected by a member firm in their own name and on their own account or on the account of their client and the member firm has not transferred the amount of money equal to the money used from the guarantee fund to the account of the Exchange by the end of the third exchange day of the settlement of the transaction, the Exchange has the right to sell out the securities that had been an object to the transaction and had been transferred to the collateral account opened in the name of the Exchange by ECSD under the provisions of section 7.6.3.2.
- 7.6.3.4. The Exchange Collateral Account shall be specified as the debited securities account in the sell-out transaction of securities. In such a case, the securities serving as the object of the transaction shall be taken from the Exchange Collateral Account and the money received as a result of the transaction shall be transferred to the Exchange guarantee fund.
- 7.6.3.5. If the money received as a result of the sell-out of securities in accordance with the provisions of section 7.6.3.4 is not sufficient to cover the amount used to settle the transaction executed on account of the Exchange guarantee fund resources, the Exchange shall claim the difference from the Member in accordance with 7.6.3.6.
- 7.6.3.6. The Exchange shall claim the member firm whose obligations were executed through effecting the sell-out to pay the difference referred to in 7.6.3.5.
- 7.6.3.7. If the member firm that is required to cover the payments made from the Exchange guarantee fund does not pay the debt by the date set by the Exchange, the Exchange has the right to implement against the member firm any sanctions provided by the Rules and Regulations of the Exchange.
- 7.6.3.8. If the amount received from the sales of the securities is larger than the payment made from the Exchange Guarantee Fund in order to secure the settlement of the transaction, the Exchange shall transfer the amount serving as the difference in the prices to the guarantee fund.
- 7.6.3.9. The Exchange Member securing of whose obligations caused reduction of the amount of the guarantee fund shall compensate in addition to payments made on the account of the guarantee fund, all other costs and expenses per each trading day within the deadline and in accordance with the terms and conditions laid down by the Exchange.
- 7.6.4. Extraordinary situations

- 7.6.4.1. For the settlement of an exchange transaction the buy-in and the sell-out shall not be effected when the difference between the contract price of the securities and the buy-in or sell-out price exceeds the total amount of the Exchange guarantee fund.
- 7.6.4.2. If the buy-in or a sell-out of securities is not effected, the Exchange shall declare the transaction a failed transaction, and shall immediately inform the parties to the transaction thereof.
- 7.6.4.3. If the Bank of Estonia suspends the settlement of payments made by any of the ECSD account operators (account operator serving as a Clearing Agent) in the settlement system of the Bank of Estonia and the Exchange guarantee fund resources are not sufficient for the settlement of exchange transactions, the Exchange shall declare all unsettled transactions of that ECSD account operator failed transactions.

8. EXCHANGE TRANSACTIONS WITH CROSS-BORDER SETTLEMENT

- 8.1. Within the meaning of these Rules of Clearing and Settlement of Stock Exchange Transactions, cross-border stock exchange transaction means a transaction in which the execution of the transfer order communicated for the realisation of which includes the transfer of securities that are the object of the transaction as follows:
 - 8.1.1. from a securities account opened in the Estonian Central Register of Securities (hereinafter the Estonian securities account) to a securities account opened in the Latvian Central Depository (hereinafter the Latvian securities account);
 - 8.1.2. from a Latvian securities account to an Estonian securities account; or
 - 8.1.3. from one Latvian securities account to another Latvian securities account.
 - 8.1.4. from an Estonian securities account to a securities account opened at the member of the Lithuanian Central Depository (hereinafter the Lithuanian securities account)
 - 8.1.5. from a Lithuanian securities account to an Estonian securities account;
 - 8.1.6. from a Lithuanian securities account to another Lithuanian securities account;
 - 8.1.7. from a Latvian securities account to a Lithuanian securities account; or
 - 8.1.8. from a Lithuanian securities account to a Latvian securities account.
- 8.2. Transfer orders necessary for execution of cross-border exchange transactions respectively with regard to a Latvian- or Lithuanian securities account can be forwarded to EVK by the member firm who:
 - 8.2.1. has notified the Exchange of his decision to use the trading system for making cross-border stock exchange transactions and also disclosed to the Exchange the terms of the transfer order that are used in cases provided in the code of rules of EVK for executing the obligations resulting from cross-border stock exchange transactions;
 - 8.2.2. has signed respective settlement contract for cross-border stock exchange transactions with the credit institution that acts as account administrator or who at the same time acts as an account administrator and credit institution.
- 8.3. Within the meaning provided in clause 8.2.2, "cross-border settlement contract" means a written contract made between the credit institution acting in the capacity of an account administrator and the member firm in which EVK is authorised by the relevant member firm to carry out transactions for settling financial obligations calculated on the transfer orders

communicated and calculated respectively with regard to the Latvian- or Lithuanian securities accounts on account of the funds held in the correspondent account of the account administrator of the relevant credit institution (*hereinafter transaction agent for cross-border stock exchange transactions*). Also the provisions of clause 2.4 apply on cross-border settlement contracts.

- 8.4. Cross-border exchange transaction is executed according to provisions of clause 3.10.1 of the data processing rules of EVK. Otherwise, provisions of the Rules of Clearing and Settlement of Stock Exchange Transactions shall apply on cross-border exchange transactions and on the activities of the Exchange in securing the settlement of the cross-border transaction, taking into consideration the following exceptions:
 - 8.4.1 Application of Chapter 3 of the Rules of Clearing and Settlement of Stock Exchange Transactions – in connection with the execution of the cross-border exchange transaction, the rules related to the use of monetary assets of the member firm who complies with the requirements laid down in the provisions of clause 8.2 insofar as they do not violate the requirements laid down by its cross-border settlement contract, in respect of monetary settlements related to Latvian securities accounts, the requirements imposed by Latvian law and by the Latvian Central Depository, and in respect of monetary settlements related to Lithuanian securities accounts, the requirements imposed by Lithuanian law and by the Lithuanian Central Depository;
 - 8.4.2. Application of Chapter 6 of the Rules of Clearing and Settlement of Stock Exchange Transactions – a member firm who complies with the requirements mentioned in the provisions of clause 8.2 may apply that the terms of the cross-border exchange transactions made by it include in addition to the changes made in clauses 6.2.2.1, 6.2.2.2 or 6.2.2.3 also the transformation of the cross-border exchange transaction signed by it into an exchange transaction (i.e., an exchange transaction with normal domestic settlement).
 - 8.4.3. Application of provisions of clause 7.5 of the Rules of Clearing and Settlement of Stock Exchange Transactions – in case the cross-border exchange transaction cannot be executed with regard to the non-compliance or non-executability of the requirements laid down for the transfer order issued for a Latvian- or Lithuanian securities account (*insufficient balance, etc*), the Exchange shall respectively be entitled to request that the Latvian- or Lithuanian Central Depository changes or cancels the transfer order respectively on the Latvian- or Lithuanian securities account, and also that the Latvian- or Lithuanian securities account shown on the transfer order is replaced with the

Latvian- or Lithuanian securities account opened in of
the name of the member firm.

9. SANCTIONS

If a member firm fails to execute any of the obligations imposed on them by the provisions of these Clearing and Settlement Rules or fails to execute them duly, the Exchange has the right to impose on such member firm any of the sanctions and measures provided by the Rules and Regulations of the Exchange.