

APPROVED by
the Lithuanian Securities Commission
as of 25 January 2007 No. 2K-43

PASSED by
the Board of AB Vilnius Stock Exchange
as of 26 January 2007
Minutes No. 07-07

RULES ON THE FORMATION AND USE OF THE GUARANTEE FUND

1. Objective and legal basis

1.1. The Rules on the Formation and Use of the Guarantee Fund (hereinafter – the Rules) provide for:

- 1.1.1. order of formation of the Guarantee Fund;
- 1.1.2. order of calculation of the size of a Member's contribution into the Guarantee Fund and its payment;
- 1.1.3. order of use of the monies in the Guarantee Fund;
- 1.1.4. order of investment of the monies in the Guarantee Fund;
- 1.1.5. liability of a Member for failure to meet its financial obligations with regard to the Guarantee Fund.

1.2. The legal basis for these Rules is Paragraphs 65–68 of the Trading Rules of the Vilnius Stock Exchange (hereinafter – the Trading Rules). When drawing up these Rules due consideration was given to the rules regulating the order of formation and use of the guarantee funds of the Riga and Tallinn Stock Exchanges.

1.3. In order to facilitate membership in the Guarantee Fund for those Members which have acquired or intend to acquire the member status also in the Tallinn Stock Exchange and/or the Riga Stock Exchange, the Baltic Exchanges have harmonized the rules of the guarantee funds to the maximum extent. The Baltic Exchanges have entered into a cooperation agreement (hereinafter – the Cooperation Agreement) that provides for the joint accounting of the guarantee funds and the order of notification about contributions payable or receivable at the Baltic Exchanges.

2. Concepts used in the Rules

2.1. The Baltic Exchanges shall mean the Vilnius Stock Exchange, the Riga Stock Exchange and the Tallinn Stock Exchange.

2.2. The Home Exchange of a Member shall mean one of the Baltic Exchanges, which is registered as a legal entity in the same state as the Member. In the event a Member is registered not in a Baltic state, i.e. not in the Republics of Lithuania, Latvia or Estonia, the Home Exchange of the Member shall be that Baltic Exchange which was the first to receive an application for membership or which mediated in submitting respective applications to other Baltic Exchanges.

2.3. Other concepts used in these Rules shall have the same meaning as in the Trading Rules.

3. Formation of the Guarantee Fund

3.1. The objective of the Guarantee Fund shall be to reduce the settlement risk in case of automated trades concluded on the public company Vilnius Stock Exchange (hereinafter – the VSE) and to ensure settlement of the automated trades in the manner prescribed by these Rules and the Rules on Settlement of Transactions Concluded on the Vilnius Stock Exchange to the amount of the monies in the Guarantee Fund at a particular time.

3.2. The Guarantee Fund shall be formed from Members' contributions calculated and paid in accordance with these Rules.

3.3. The monies of the Guarantee Fund and the securities purchased with them shall be held by the Exchange Members by the right of joint partial ownership. The portion of the monies of the Guarantee Fund and the securities purchased with them falling to each Member shall be determined by the Market Services Department of the VSE.

3.4. The VSE shall manage the Guarantee Fund on the basis of the fiduciary right. The monies of the Guarantee Fund and the securities purchased for them shall be held in separate cash and

securities accounts opened with a selected bank or a branch office of a foreign bank registered in the Republic of Lithuania and managed by the fiduciary right by the VSE. The securities purchased for the monies of the Guarantee Fund after a Member fails to accumulate the necessary amount of cash for the concluded trades may be held in a special securities account with the Central Securities Depository.

3.5. The VSE, no later than within 5 working days after the end of each calendar quarter, shall submit a report to each Member concerning the balance of the Guarantee Fund and of the guarantee funds of other Baltic Exchanges attributed to it as well as other information about management and use of the Guarantee Fund during the previous calendar quarter of the year.

3.6. The costs of the transfer and conversion of the monies of the Guarantee Fund and other services with regard to management or use of the Guarantee Fund shall be covered from the portion of the monies of the Guarantee Fund attributed to each member pro rata to the general amount of the contributions made into the Guarantee Fund by that Member.

3.7. The VSE may disclose the size of the Guarantee Fund in its website.

3.8. Where a Member terminates its membership or is removed from members in the manner prescribed in the Trading Rules, it must complete fulfillment of all financial obligations with regard to the VSE and the Guarantee Fund. The balance of the monies in the Guarantee Fund shall be refunded to the Member no later than within 10 working days from the day of fulfillment of all obligations with regard to the VSE and the Guarantee Fund.

4. Contributions of the Members into the Guarantee Fund

4.1. Members shall transfer their contributions into the Guarantee Fund in euros. The Guarantee Fund shall comprise the following types of a Member's contributions:

4.1.1. Initial contribution;

4.1.2. Regular contributions;

4.1.3. Extraordinary guarantee calls;

4.1.4. Other monies, the transfer of which into the Guarantee Fund has been provided for in these Rules.

4.2. The initial contribution shall be paid into the account of the Guarantee Fund by each new Member before starting trading on the VSE. The initial contribution shall amount to EUR 5000.

4.3. The regular contribution shall be calculated in accordance with the methodology provided for in Annex 1 hereto, taking into account the increase (or decrease) in the Member's trading activity (turnover) at the Baltic Exchanges during the last calendar half-year. The calculated regular contribution shows the total amount to be transferred by a Member into the Guarantee Fund, including the initial contribution, extraordinary guarantee call and other funds, the transfer of which has been prescribed by these Rules. Regular contributions shall be at least equal in size to the initial contribution as prescribed by these Rules.

4.4. A Member must, within the term specified by the VSE, transfer into the account of the Guarantee Fund only that portion of the regular contribution which exceeds the Member's balance of the monies in the Guarantee Fund on the last day of the previous calendar half-year. If the calculated regular contribution is lower than the Member's balance of the monies in the Guarantee Fund on the last day of the previous calendar half-year, the VSE shall notify the Member about a possibility to claim a respective portion of the amount transferred into the Guarantee Fund. However, if on the last day of the previous calendar half-year the calculated amount of the regular contribution differs from the Member's balance of the monies in the Guarantee Fund by more than EUR 100 or 2%, the amount of the regular contribution shall be considered unchanged and no amount shall be either called for or refunded.

4.5. Extraordinary guarantee call shall mean a contribution that a Member must transfer into the account of the Guarantee Fund following a special decision of the Board of the VSE. The amount of the extraordinary guarantee call to be paid into the Guarantee Fund, the order and terms of its payment shall be determined by the Board of the VSE for each Member individually, taking into consideration the increase in the Member's trading activity (turnover) on the Baltic Exchanges, the number and volume of concluded trades and legal requirements concerning the size of the Guarantee Fund, applications for membership in other Baltic Exchanges and other circumstances that result in a

need to increase the Guarantee Fund. Furthermore, the Board of the VSE may pass a decision obligating a Member to pay an extraordinary contribution in the event the Member has undertaken to act as a price stabilizing agent after a public share offering, the Member often fails to ensure timely settlement of the automated trades and in other cases. Unless otherwise provided by the Board and unless the notice about the extraordinary guarantee call provides for another day, a Member shall transfer the amount of the extraordinary guarantee call into the account of the Guarantee Fund no later than within 3 working days.

5. Payment of contributions into the Guarantee Fund and into the guarantee funds of other Baltic Exchanges when a Member holds membership in several Baltic Exchanges

5.1. If a Member is active on more than one of the Baltic Exchanges or has submitted an application for membership in more than one of the Baltic Exchanges, all contributions provided for in the rules regulating the order of formation and use of the guarantee funds in the Baltic Exchanges payable into different guarantee funds of the Baltic Exchanges shall be transferred into a Member's Home Exchange. A Member's Home Exchange shall, on the basis of the Collective Agreement, organize transfer of the received contributions to the Baltic Exchange concerned. Contributions transferred into the guarantee fund of the Baltic Exchange concerned shall be considered part of the Guarantee Fund while the order of their management and use shall be subject to the rules of the Exchange and the legal acts of the Baltic state concerned.

5.2. If a new Member is also a Member of the Tallinn Stock Exchange and/or the Riga Stock Exchange or has submitted an application concerning membership therein, the initial contribution referred to in Paragraph 4.2 of these Rules shall be divided into equal portions, each portion of the initial contribution to be considered part of the Guarantee Fund of the Baltic Exchange concerned.

If a Member's Home Exchange is the VSE, it shall transfer the relevant portion of the initial contribution to the guarantee funds of the Tallinn Stock Exchange and/or the Riga Stock Exchange in accordance with the Cooperation Agreement. If a Member's Home Exchange is the Tallinn Stock Exchange and/or the Riga Stock Exchange, the Member's Home Exchange shall transfer the relevant portion of the initial contribution to the Guarantee Fund of the VSE.

5.3. If a Member is also a Member of the Tallinn Stock Exchange and/or the Riga Stock Exchange, the regular contribution calculated as prescribed in Annex 1 to these Rules shall be divided into parts in accordance with the Cooperation Agreement on the basis of the trading activity (turnover) on different Baltic Exchanges, each portion of the regular contribution to be considered part of the Guarantee Fund of the Baltic Exchange concerned. If a Member's Home Exchange is the VSE, it shall transfer the relevant portion of the regular contribution to the guarantee funds of the Tallinn Stock Exchange and/or the Riga Stock Exchange in accordance with the Cooperation Agreement. If a Member's Home Exchange is the Tallinn Stock Exchange and/or the Riga Stock Exchange, the Member's Home Exchange shall transfer the relevant portion of the regular contribution to the Guarantee Fund of the VSE.

5.4. The VSE, acting in accordance with the Cooperation Agreement, shall:

5.4.1. notify the Member that it must pay a contribution into guarantee funds of other Baltic Exchanges;

5.4.2. organise and ensure transfer of the contributions to be paid into the guarantee funds of other Baltic Exchanges after the Member has transferred the contribution to the VSE;

5.4.3. notify its Members about the monies in the guarantee funds of other Baltic Exchanges that may be refunded to the Members and, upon a Member's request, organise the refund or transfer of such monies from the guarantee fund of one of the Baltic Exchanges into the guarantee fund of another of the Baltic Exchanges;

5.4.4. organise, in cooperation with the other Baltic Exchanges, accounting of the initial, regular and extraordinary contributions and transfer them into the guarantee funds of other Baltic Exchanges, if necessary;

5.4.5. calculate, in cooperation with the other Baltic Exchanges, the size of the regular contributions;

5.4.6. carry out, in cooperation with the other Baltic Exchanges, foreign currency exchange operations using the currency exchange rate of the commercial bank selected by the transferring Baltic Exchange in accordance with Paragraph 3.4 of these Rules.

6. Use of the monies in the Guarantee Fund

6.1. The monies of the Guarantee Fund needed for coverage of the securities or cash deficiency for settlement of the transactions concluded on the VSE shall be used in the manner prescribed by the “Rules on Settlement of Transactions Concluded on the Vilnius Stock Exchange”.

6.2. The cash deficiency shall be covered from the aggregate portion in the Guarantee Fund of the Member which has failed to accumulate a sufficient amount of cash in its settlement account for settlement of automated transactions in due time.

6.3. In the event the contribution of the Member in the Guarantee Fund is not sufficient to cover the cash deficiency, the remaining amount of the deficit monies shall be proportionally covered out of the portions of other Members of the Guarantee Fund.

6.4. Securities acquired on the monies of the Guarantee Fund by clearing the transactions for which the sufficient amount of monies was not accumulated in due time shall, under the decision of the Market Services Department of the VSE, be sold as soon as possible after their acquisition. The securities shall be sold through the Member selected in accordance with Paragraph 3.4 of these Rules and the proceeds from their sale shall be transferred into the Guarantee Fund.

6.5. Profit accumulated from selling or buying of securities with the monies from the Guarantee Fund to eliminate the cash deficiency at the time of settlement of the transactions shall be transferred into the account of the Guarantee Fund and distributed among the Members pro rata to their portion in the Guarantee Fund. No respective amount shall be attributed to the defaulting Member.

6.6. Loss accumulated from selling the securities bought with the monies from the Guarantee Fund to eliminate the cash deficiency at the time of settlement of the trades must be covered by a defaulting Member within three business days after the accumulation of the loss. Part of the loss exceeding the total contribution of the defaulting Member shall be covered from the portion of other Members in the Guarantee Fund pro rata to the total amount of the Members' contributions into the Guarantee Fund, until the defaulting Member completely covers the accumulated loss. The Market Services Department of the VSE shall calculate the amount of the loss on the day of its appearance, deduct it from the portions in the Guarantee Fund of other Members and notify the defaulting Member about its size in writing on the same day.

7. Investment of the Monies of the Guarantee Fund

7.1. Under the decision of the Board of the VSE, the monies of the Guarantee Fund may be deposited in the bank under a deposit agreement or invested into debt securities issued by the Republic of Lithuania or another EU member state, its regional or local authorities or an international organisation.

7.2. The Board of the VSE shall have a right to choose the Members to act as intermediaries in investing the monies of the Guarantee Fund.

7.3. Agreements with the Members chosen to act as intermediaries in investing the monies of the Guarantee Fund shall be signed by the President of the VSE.

7.4. Revenue and loss received from investments into securities or fixed-term deposits, expenses related to operations with securities and monies and to custody of securities and monies as well as the default interest shall be distributed by the Market Services Department of the VSE among the Members pro rata to their portion in the Guarantee Fund on the last business day of the month.

7.5. Securities, into which the monies of the Guarantee Fund are invested, may be pledged in order to receive cash for settlement of the trades concluded on the VSE.

7.6. The Board of the VSE may set forth more detailed instructions as to safekeeping and investing of the monies and assets in the Guarantee Fund.

8. Failure of the VSE Member to Meet Financial Obligations

8.1. In the event a Member fails to make a timely transfer of contributions specified in section 4.1, it must pay into the Guarantee Fund a default interest of 0.04% on the amount due for each delayed day. Payment of the default interest shall not release the VSE Member from the obligation to transfer contributions specified in section 4.1 of these Rules.

8.2. The default interest paid by a Member into the Guarantee Fund shall be distributed among the VSE Members pro rata to their portion in the Guarantee Fund. No respective amount shall be attributed to the defaulting Member.

8.3. If a Member fails to timely transfer the contributions specified in Paragraph 4.1 of the Rules, the Board of the VSE shall have a right to suspend the Member's right to trade on the VSE.

Order of Calculating the Regular Contribution

1. A Member's Mean Daily Turnover

A Member's mean daily turnover shall be calculated according to the following formula:

$$A = \frac{B}{n}$$

where:

A – the mean daily equities or debt securities turnover,

B – Total turnover of all purchase and sale transactions concluded between the Member and other Members during the last calendar half-year on all Baltic Exchanges through automatic matching of orders on equities market (when calculating the mean daily equities turnover) or debt securities market (when calculating the mean daily debt securities turnover), respectively.

n – Total number of such trading days in the last calendar half-year when the Member made purchase or sale transactions with other Members through automatic matching of orders on equities market (when calculating the mean daily equities turnover) or debt securities market (when calculating the mean daily debt securities turnover) on all Baltic Exchanges, respectively.

2. Calculation of the Equities Market Component in the regular contribution into the Guarantee Fund

The Equities Market Component in the regular contribution into the Guarantee Fund shall be calculated according to the following table:

Percentage used to calculate the amount		Equities market's mean turnover during the calendar half-year (EUR)			
P1	10 %	From	EUR 0	to	EUR 125,000
P2	1 %	From	EUR 125,000		

Where a Member's mean turnover of day A is below EUR 125,000, the regular contribution SN shall be calculated according to the formula:

$$SN = A * P1/100 .$$

Where a Member's mean turnover of day A exceeds EUR 125,000, the regular contribution SN shall be calculated according to the formula:

$$SN = 125000 * P1/100 + (A - 125000) * P2/100 .$$

3. Calculation of the Debt Securities Market Component in the regular contribution into the Guarantee Fund

The Debt Securities Market Component in the regular contribution into the Guarantee Fund shall be calculated according to the following table:

Percentage used to calculate the amount		Debt Securities Market's mean turnover during the calendar half-year (EUR)			
P3	0.25%	From	EUR 0		

The regular contribution SK shall be calculated according to the formula:

$$SK = A * P3 / 100 .$$

4. Calculation of a regular contribution into the Guarantee Fund

The size of a regular contribution into the Guarantee Fund shall be calculated according to the formula:

$$S = SN + SK .$$