

UNOFFICIAL TRANSLATION

**EFFECTIVE**

**From July 15, 2019**

**APPROVED by**  
Nasdaq Riga  
the Meeting of the Supervisory Board  
July 12, 2019

**THE RULES ON PENALTIES APPLICABLE TO THE MEMBERS OF NASDAQ RIGA**

“The rules on Penalties Applicable to the Members of Nasdaq Riga” have been drafted pursuant to the provisions of Article 4.13.4 of Nasdaq Baltic Member rules of Nasdaq Riga, AS (hereinafter referred to as the Exchange).

**1. Types of sanctions and application there of**

- 1.1. In case of a breach the Management Board of the Exchange shall be entitled to apply the sanctions from the Article 4.13.1 of the Member Rules to the Member and the sanctions from Article 4.13.2 of the Member Rules to the Trader of the Exchange.
- 1.2. The decision on the application of the said sanctions on Exchange Members may be taken by the Management Board and the Surveillance Committee of the Exchange within the scope of their competence as specified herein.
- 1.3. In assessing the circumstances of every single violation, the Management Board of the Exchange shall have the right to deal with any of the issues referred to hereunder and that are within the scope of competence of the Surveillance Committee and to decide on the application of relevant sanctions on the Exchange Member.

**2. Warning**

- 2.1. The Management Board of the Exchange shall be entitled by its decision to give a warning to the Member in case of breach of the Law on the Financial Instruments Market or the Rules of the Exchange, or, if the Member, members of its Management Board or the Member’s employees have not fulfilled or are not fulfilling an instruction of the Exchange in a due manner.
- 2.2. The Exchange shall notify the Member in writing immediately about giving a warning and about measures to be performed for elimination of a breach.

**3. Imposing a fine**

- 3.1. Upon its decision, the Surveillance Committee may impose a fine to the Member if it, its Management board member or employee has violated the Law or the Rules and Regulations of the Exchange repeatedly, does not comply with an instruction of the Exchange repeatedly, or has essentially violated the Financial Instruments Market Law or any rules or regulations of the Exchange. A fine may be imposed by the Surveillance Committee also if the actions taken by the

Member have damaged the interests of investors or another Member. The Surveillance Committee may impose a fine also for every established violation individually.

- 3.2. The Management Board of the Exchange may impose a fine up to 6500 euros for the violations referred to under Article 3.1 hereof. In deciding on the amount of fine, the nature of the violation and the possible consequences of a failure to rectify the violation in due time shall be taken into account.
- 3.3. The Exchange shall notify the Member in writing about imposing a fine and shall indicate a period during which the fine must be paid.

#### **4. Suspension of the Member's activities at the Exchange**

- 4.1. The Exchange shall be entitled to apply additional requirements and restrictions or to suspend the Member's operation (prohibit a Member to use the Trading System) at the Exchange if:
  - 1) The Member does not fulfil an instruction by the Exchange;
  - 2) The Member does not observe the restrictions, which have been applied to the Member by the Exchange;
  - 3) The Member does not fulfil the provisions of the rules of the Exchange or the Law on the Financial Instruments Market;
  - 4) In the opinion of the Exchange, the Member's financial situation does not allow investment activities of the respective Member without making a threat to or damaging the interests of investors, other Members or the Exchange.
- 4.2. The Exchange shall notify the Member in writing immediately about a decision to suspend activities of the respective Member or to prohibit the Member to use the Trading System, on the basis of the cases mentioned in section 4 herein, by indicating the conditions to be fulfilled by the Member in order the Exchange would cancel such a decision.
- 4.3. By making material amendments to the conditions of a settlement agreement, the Management Board of the Exchange shall be entitled to apply restrictions to the amount of the Exchange trades, which is allowed to the Member, and/or to suspend the Member's operation on the Exchange, until the Exchange has ascertained itself about the Member's ability to fulfil the obligations, which follow from Trades on the Exchange.
- 4.4. . The Management Board of the Exchange shall be entitled to suspend the Member's operation at the Exchange for a period up to six (6) months In case the Member eliminates the circumstances that have been the reason for suspending the Member's status within the period stated by the Exchange, the Management Board of the Exchange shall cancel the decision on suspension and restore the Member's rights to use the Trading System.
- 4.5. Suspension of the Member's operation shall not release the Member from the responsibility to pay the Membership fee also for the period of suspension of the Member's operation.
- 4.6. The Exchange shall immediately place a notification in the Trading System about suspension of the respective Member's operations.
- 4.7. The decision on the suspension of the Member's operation at the Exchange, if the Member has committed any of the violations referred to in Paragraphs 1 to 4 of Article 4.1 hereof, shall be

taken by the Management Board of the Exchange. In individual cases, in assessing the circumstances of the particular violation, if the Member has committed a violation specified under this Article, the Management Board of the Exchange shall have the right to pass the issue for examination and decision taking to the Surveillance Committee.

## **5. Cancellation of membership**

5.1. The Exchange may cancel membership in case:

- 1) The Member, a member of its Management Board or Supervisory Board, or an employee has grossly or repeatedly violated the provisions of the rules of the Exchange or the Law;
- 2) The Member's financial situation does not comply with the provisions of the rules of the Exchange;
- 3) Qualification of the Member's employees, who perform activities in the Trading System, does not comply with the provisions of these Rules;
- 4) The Member does not fulfil a decision of the Management Board or the Surveillance Committee of the Exchange or an instruction of the Exchange to comply the Member's operation with the provisions of the rules of the Exchange or the Law on the Financial Instruments Market within the due term;
- 5) The Member has intentionally provided false information to the Exchange for obtaining the membership, or during its operation at the Exchange;
- 6) The membership has been suspended for six months and the Member has been unable to eliminate the circumstances, which have caused such suspension.

5.2. The membership on the Exchange may be cancelled by the Management Board of the Exchange if liquidation of the Member has been initiated or if the Member is declared insolvent, if bankrupt proceedings have been initiated, as well as if a decision has been taken to terminate the Member's activities.

5.3. The Exchange shall place a notification in the Trading System immediately about cancellation of the respective membership at the Exchange.

5.4. The Member shall be notified in writing about a decision to cancel its membership. Such a decision shall include the reason for cancellation and the Member's right to request additional review of the decision by the Management Board of the Exchange.

5.5. The decision on the cancellation of the Member status, if the Member has committed any of the violations referred to in Paragraphs 1 to 5 of Article 5.1 hereof, shall be taken by the Surveillance Committee.

5.6. The decision on the cancellation of the Member status, if the Member has committed a violation referred to in Paragraph 6 of Article 5.1 hereof, shall be taken by the Management Board of the Exchange.

**6. Disputing of decisions of the Management Board and the Surveillance Committee of the Exchange and settlement of disputes**

- 6.1. The Member shall be entitled to appeal a decision of the Management Board or the Surveillance Committee of the Exchange on the suspension of the membership or cancellation of the membership, at its choice, either to the Arbitration Court of the Latvian Chamber of Commerce and Industry or the Arbitration Court of the Latvian Association of Commercial Banks.
- 6.2. If the Management Board or the Surveillance Committee of the Exchange has made a decision to cancel the Member's operation, the Member shall be entitled to request the Management Board of the Exchange to review the issue repeatedly, by giving substantiation to such a request.
- 6.3. If the Management Board of the Exchange does not amend a decision on cancellation of the membership after the second review of the decision, the Member shall be entitled to submit a claim, at its choice, either to the Arbitration Court of the Latvian Chamber of Commerce and Industry or the Arbitration Court of the Latvian Association of Commercial Banks.
- 6.4. All disputes between the Exchange and its Members, or between the Members, on issues not stipulated in mutual agreements and which cannot be settled by agreement between the parties, shall be settled, at choice of the claimant, either by the Arbitration Court of the Latvian Chamber of Commerce and Industry or the Arbitration Court of the Latvian Association of Commercial Banks. Verdicts of the arbitration court shall be final and not subject to appeal.
- 6.5. Unless stipulated otherwise in the rules of the Exchange, Members shall be entitled to file claims in relation to instructions of the Exchange or decisions of the Management Board or the Surveillance Committee of the Exchange pursuant to which a penalty is imposed on the Member, at their choice, either to the Arbitration Court of the Latvian Trade and Industry Chamber or to the Arbitration Court of the Association of Latvian Commercial Banks within 3 months of the relevant decision on instruction or penalty.