

RULES ON SETTLEMENT OF TRANSACTIONS CONCLUDED ON THE VILNIUS STOCK EXCHANGE

I. General Provisions

1. These Rules shall regulate the procedure for settlement of securities transactions (hereinafter referred to as the transactions) concluded on the Vilnius Stock Exchange (hereinafter referred to as the Exchange).
2. All settlements of transactions shall be carried out through the Securities Settlement Systems (hereinafter referred to as the SSS) administered by the Central Securities Depository of Lithuania, plc. (hereinafter referred to as the Central Depository).
3. The Central Depository shall handle and coordinate settlement of transactions between the participants of the SSS.
4. Settlement of transactions shall be carried out following the delivery versus payment principle.
5. If the transactions are concluded between the clients of the same participant of the SSS (hereinafter referred to as the Participant) or between the Participant and his clients, the transfers of cash shall not be executed at the clearing bank.
6. All messages provided for in these Rules shall be drawn up and submitted through the Messaging System of the Bank of Lithuania's payment system LITAS (hereinafter referred to as the Clearing Bank) in an electronic form, which is based on ISO 15022XML standard, except when these Rules or other legal acts and agreements establish otherwise.
7. The form and content of all messages of technical nature and other documents mentioned in the Rules shall be determined by the Central Depository, otherwise the documents specified in the Payment System LITAS shall be used.
8. For the purpose of these Rules foreign central depositories and international securities depositories shall be recognized as the Participants provided they have concluded settlement agreements with the Central Depository.

II. CONCEPTS AS USED IN THE RULES

9. **Settlements** – acts of securities and cash transfers between accounts whereby obligations of the parties are fulfilled.
10. **Settlement movement** – records in the databases of the Central Depository, after making of which securities are transferred between the general securities account of the Participants and (or) payment orders to carry out cash transfer between the settlement accounts of the Participants are placed with the System LITAS, thus ensuring the DVP of settlement.

11. **Settlement accounts** – accounts opened to the Participants with the Clearing Bank that hold the funds of the Participants and their clients.

12. **Central market transactions** – automatched transactions concluded on the Exchange.

13. **Participants' secure information site** – a non-public Internet web site administered by the Central Depository, which is designed for the Exchange and the Participants subject to agreements signed with the Central Depository.

14. **GwLink database** – the database administered by the Estonian central securities depository designed to exchange information between the central securities depositories of Lithuania, Latvia and Estonia.

15. **Cash custodian** – a Participant who holds (keeps in custody) the client's cash.

16. **Designated time settlements** – execution of a batch of settlement movements at a designated time within the SSS and at the Clearing Bank by covering net claims and liabilities arising from transactions concluded on the central market, during execution of a tender offer, public sale of shares and initial public offering (further – IPO) of shares.

17. **Instructions** – The documents placed by the SSS Participant via Messaging system (MS) in an electronic form, the structure of which is based on ISO 15022XML standard, i.e. Instructions concerning free-of-payment securities transfers, DVP securities settlements (in carrying out settlement of OTC securities transactions of secondary trading, reverse repos, pledging of securities, intra-day repos, securities auction and other transactions), which instruct to make entries in general securities accounts and settlement accounts of the Participants. In cases prescribed by these Rules (trading in and redemption of savings notes, stock events, etc.), other documents placed by the Participants, the Exchange or the third party on the basis of which the SSS operator makes entries in the general securities accounts of the Participants and which are allowed by legal acts and these Rules, may be recognized as Instructions.

18. **Real time gross settlements** – execution of settlement movements in real time in the order of placement (according to FIFO principle) within the SSS and at the Clearing Bank by meeting Participants' claims and liabilities arising from manual trades concluded on the Exchange, free-of-payment transfers, or transactions concluded off-Exchange (OTC).

19. **Special (clearing) account** – an account opened to the Central Depository with the Clearing Bank, which is used in handling and coordinating designated time settlements of the Participants.

20. **Standard settlement conditions** – written information provided by the Exchange member to the Exchange (Table. *Standard settlement conditions*, Annex 1) concerning his chosen securities and cash custodians, who after confirming settlement movements in accordance with the procedure established

in these Rules will have the obligation to settle the transactions of the Exchange members concluded on the Exchange.

21. **Day S** – a day of settlement of a transaction when the Central Depository and the Clearing Bank execute securities and cash transfers between the Participants' accounts.

22. **Day T** – a day on which a transaction is concluded on the Exchange.

The following terms are used in the text: "day S+n" and "day T+n", where "n" means a number of respective *business* days after "day S" or "day T" (e.g., "day S+3" means the third business day after "day S").

23. **TRAXESS database** – The database administered by the Estonian central securities depository which is designed for the placement of trading results of the Exchange.

24. **Securities custodian** – a Participant, who holds (keeps in custody) the client's securities.

25. **Ad hoc settlement conditions** – settlement conditions specified in the field "Clearing info" of the Exchange member's order during settlement of a specific transaction concluded on the Exchange.

26. Other concepts of the Rules have the meaning assigned thereto in the Law on Payments, the Law on Settlement Finality in Payment and Securities Settlement Systems, the Trading Rules of the Exchange, the Rules on Accounting of Securities and Their Circulation, and the Operating Rules of the Payment System 'LITAS'.

III. SYSTEM'S MESSAGES

27. **"Settlement movements pending confirmation"** – information about settlement movements, which are to be confirmed by the Participant specified as a settlement party. The message is generated after taking in the trading results of the Exchange and placed on the Secure information site for Participants.

28. **"Confirmed settlement movements"** – information about settlement movements confirmed by the Participant and on the basis of which the obligation of the Participant to settle arises. The Participant whose obligation to accept securities and cash arises subject to *Standard settlement conditions* also receives this message, although he has placed no agreement to accept them. The message is generated at the close of the day and placed on the Secure information site for Participants.

29. **"Aggregate settlement positions"** – information provided to the Participants about securities and cash to be accumulated on the specified accounts. The message is generated at the close of the day and placed on the Participants' secure information site.

30. **"Consolidated journal of operations"** – information about entries made on securities accounts. The message is generated in real time and at the close of the settlement day and placed on the Participants' secure information site;

31. **“Detailed summary report on securities transfers”** – information about executed and pending settlement on settlement day settlement movements as well as withdrawn, postponed and terminated settlement movements on the same settlement day due to securities or cash defaults. The message is generated in real time and at the close of the settlement day and placed on the Participants’ secure information site.

32. **“Statement of operations pending processing” (XML message STMNT, document STPEND)** – information about pending settlement movements as well as withdrawn, postponed and terminated settlement movements on the same settlement day due to securities or cash defaults. The message is generated at the close of the settlement day and placed in the Messaging system of LITAS.

33. **“Statement of securities account” (XML message STMNT, document STTRAN)** – information about entries in general securities accounts made on the settlement day and about the balances of the said accounts. The message is generated at the close of the settlement day and placed in the Participants’ secure information site and in the Messaging system of LITAS.

34. **“Balances on securities accounts” (XML message STMNT, document STHOLD)** – information about securities balances on the general securities accounts of the Participant within the SSS. The message is generated in real time and at the close of the settlement day and placed in the Participants’ secure information site and in the Messaging system of LITAS.

35. **“Postponed and terminated settlement movements of Exchange transactions”** – information, which the Central Depository delivers to the Exchange and Securities Commission about the settlement movements, which have been postponed till the next settlement day, as well as information about securities and (or) cash defaults. The message is generated at the close of the settlement day and delivered to the Exchange in the Participants’ secure information site. This information is delivered to the Securities Commission in writing.

36. **“Changed settlement movements”** – information, which the Central Depository provides to the Exchange and Securities Commission about the executed settlement movements, the specified settlement conditions of which have been changed by the Participants. The message is generated at the close of the settlement day and delivered to the Exchange in the Participants’ secure information site. This information is delivered to the Securities Commission in an electronic form.

IV. PROVISION OF TRADING RESULTS TO THE SSS, THEIR PREPARATION FOR SETTLEMENT

37. Every business day by 3 p.m. the Exchange shall file with the Central Depository a message on the results of the trading session in the TRAXESS database. The message shall provide the data on all transactions concluded on the Exchange that day (day T). The Exchange may also provide this information

after 3 p.m. upon written notice to the Central Depository given not later than by 2.30 p.m.

38. The trading results provided by the Exchange to the Central Depository must include exact and adequate information about the Participants, who will have to settle the transactions concluded on the Exchange by delivering securities and cash. In case where the trading results provided by the Exchange do not specify any information about the Participants who are obliged to settle, or where such information is identified as inadequate or inaccurate, the Central Depository for the generation and execution of settlement movements shall use the information provided by the Exchange on the Participants selected by the Exchange members as referred to in the *Standard settlement conditions* (Annex 1).

39. On the basis of the trading results of the Exchange, the Central Depository shall immediately generate settlement movements and provide in real time an updated message "Settlement movements pending settlement" to the Participants in the Participants' secure information site.

40. In case a settlement movement is generated where at least one party to the settlement is Estonian and (or) Latvian central securities depository, the Central Depository shall make corresponding entries in the GwLink database.

41. The SSS generates settlement movements depending on whether the Exchange member has filled in the information field "Clearing info" when placing the order with the Exchange. If the Exchange member:

41.1. has not filled in this field – the SSS writes down in the settlement movement the Participants (securities and cash custodians) specified in the *Standard settlement conditions* according to Owner Category indicated in the order;

41.2. has filled in this field – the SSS writes down in the settlement movement the Participants (securities and cash custodians) specified in the „Clearing Info“ fields.

V. CHANGE AND CONFIRMATION OF SETTLEMENT CONDITIONS

42. By 3.30 p.m. on day S-1 the Participant can change the specified settlement conditions in the Participants' secure information site.

43. The Exchange members, who are not the Participants, must give instruction concerning the change of the settlement conditions to the Participants, specified in the settlement conditions of their concluded transactions. In case the settlement conditions of the transactions concluded on the Exchange have no reference to the Participants that have to settle, the Exchange members must provide the instruction concerning the change in the settlement conditions to the Participants specified in the *Standard settlement conditions*.

44. The Participant referred to in the settlement movement (securities custodian) may change only the settlement conditions related to securities (the place of securities custody, requisites of the general securities accounts of the securities custodian with the Central Depository, client code in accounting records of the

securities custodian). In such a case an obligation of the specified Participant to settle by delivering securities will arise only when he confirms his agreement to settle.

45. The Participant referred to in the settlement movement (cash custodian) may change only its code of Participant in the settlement conditions to the code of another Participant (cash custodian). In such a case an obligation of the newly specified Participant to settle by delivering cash will arise only when he confirms his agreement to settle.

46. In case the Participant has changed the settlement conditions referred to in the settlement movement, this information shall be transferred immediately to the newly specified Participants, who can change settlement conditions or confirm the settlement movement till the deadline fixed by the Central Depository, thus expressing their unconditional and irrevocable agreement to settle the concluded transactions.

47. The SSS Participants (delivering or receiving securities or cash) must confirm all settlement movements recorded on day S in the Participants' secure information site by 4 p.m. on day S-1.

48. Confirmation of the settlement movement means an explicit, unconditional and irrevocable agreement by the Participant, who has provided such confirmation, to settle the settlement movement concerned. The SSS records only the settlement movements, which have been confirmed by all the Participants specified in them, except for the cases provided for in these Rules.

49. Where the same Participant is obliged to deliver securities and receive cash, his agreement to deliver securities at the same time means an unconditional and irrevocable agreement to accept cash that will be transferred by the Central Depository's instruction to his settlement account in the clearing bank.

50. Where the same Participant is obliged to pay cash and receive securities, his agreement to deliver cash at the same time means an unconditional and irrevocable agreement to accept securities that will be transferred to his general securities account within the SSS.

51. In the event that the Participant referred to in ad hoc settlement conditions does not confirm the settlement movement by 4 p.m. on day S-1, the Central Depository shall replace him by the Participant, specified in the *Standard settlement conditions*.

52. Securities shall be entered into the general securities account of the Participant (receiver of the securities) specified in the *Standard settlement conditions* within the SSS without his agreement provided that an agreement to deliver cash has been received from the Participant who has an obligation to deliver cash.

53. Cash shall be transferred to the settlement account of the Participant (receiver of cash) specified in the *Standard settlement conditions* with the clearing bank without his agreement provided that an agreement to deliver

securities has been received from the Participant who has an obligation to deliver securities.

54. If at least one of the Participants referred to in the settlement movement, who is obliged to confirm the settlement movement, fails to do so by the fixed deadline, the SSS shall postpone this settlement movement till the next day.

VI. TERMINATION AND POSTPONEMENT OF SETTLEMENTS

55. The Exchange members can terminate settlement of central market transactions and manual trades, except for the transactions of an initial public offering of shares, , public sale of shares and a tender offer.

56. Settlement of manual trades carried on the Exchange can be postponed till day S+2.

57. Both settlement parties (the Exchange members), intending to terminate or postpone the concluded transaction, must by 3 p.m. on day S-1 present their written applications to the Exchange .

58. By 4 p.m. on day S-1 the Exchange shall inform the Central Depository in the Participants' secure information site about the terminated or postponed transactions.

59. On the basis of information indicated in paragraph 58 the Central Depository shall change the execution date of the respective settlement movement or terminate its execution.

60. The Central Depository shall inform the Participants (securities and cash custodians), who have been obliged to settle in accordance with these settlement movements, about the settlement movements, postponed or terminated by the instructions of the Exchange. This information shall be placed in the Participants' secure information site and in the MS.

61. At the close of the day S+2, the settlement movements of manual trades shall be automatically terminated, if they have not been confirmed in due time and according to established conditions by at least one of the Participants specified in settlement conditions, or the SSS has identified securities or/and cash default.

62. At the close of the day S+10 the settlement movements of the central market transactions shall be terminated, if they have not been confirmed in due time and according to established conditions by the Participant delivering securities, or securities default has been identified.

63. At the close of the day S+3 the settlement movements of the central market transactions shall be terminated, if they have not been confirmed in due time and according to established conditions by the Participant delivering cash, or cash default has been identified.

VII. SETTLEMENT OF MANUAL TRADES

64. Partial settlement of a manual trade is not feasible.

65. The settlement movement, at least one of the Participants of which is Latvian or Estonian central depository, shall be settled in one batch with the central market transactions, i.e. a designated time settlement procedure shall be applied. The Participant (who has to deliver cash) of such a settlement movement must ensure that the amount of cash accumulated on his settlement account would correspond to the amount of cash required for manual trades (where he must deliver cash).

66. On day S at the time indicated in the Schedule of the SSS, the Central Depository shall carry out settlement movements of manual trades. These settlement movements shall be included in the general queue for the execution of real time gross settlements, with the exception of the movements specified in paragraph 65.

67. During the process laid down in paragraph 66 the Participant must have a sufficient amount of securities in the general securities accounts with the Central Depository and (or) a sufficient amount of cash in the settlement account for settlement of manual trades.

68. The Central Depository shall check whether the amount of securities in the general securities accounts of the Participant delivering securities is sufficient, block the amount of securities required for settlement and submit to the Clearing Bank the payment order (hereinafter referred to as the third party order), specifying the amount of cash to be transferred from the settlement account of the Participant delivering cash to the settlement account of the other Participant (who is to receive cash).

69. The third party payment order shall be executed at the Clearing Bank without delay provided there is a sufficient amount of cash on the settlement account of the Participant.

70. Having received a message concerning the transfer of cash, the Central Depository shall without delay transfer the securities between the general securities accounts of the Participants and notify them by means of a message of the established format about the executed settlement movement.

71. Having carried out one of the settlement movements, the Central Depository pursues the execution of another one standing in the queue for execution.

VIII. THE PROCEDURES TAKEN IN CASES OF SECURITIES AND (OR) CASH DEFAULTS DURING MANUAL TRADES¹

Securities default

72. If the Central Depository identifies securities default while checking the general securities account of the Participant, it shall postpone the execution of such a settlement movement by placing it into the queue of the settlement

¹ Except for the cases, where one of the settlement parties is Latvian or Estonian central depository.

movements to be executed and execute it repeatedly till the expiration of the time for the execution of such settlement movement.

73. Having identified a securities default, the Central Depository shall immediately deliver to both settlement Participants a message in the established format whereby notifying them of the securities default on the general securities account.

74. In case the Central Depository identifies securities default once again while executing temporarily postponed settlement movements, it shall not inform the Participants about the matter any more.

75. The settlement movements of manual trades, the execution of which has failed due to securities default on day S, shall be postponed till the next settlement day, but not longer than the day S+2. In case of failure to execute such settlement movements of manual trades on day S+2, their execution shall be terminated.

Cash default

76. In the event of failure to execute the payment order of the third party filed by the Central Depository with the clearing bank due to the cash default on the settlement account of the Participant delivering cash, the order concerned shall be queued among the orders pending execution and executed repeatedly till the close of the banking day.

77. At the close of the banking day the Central Depository and the Participants (the payer and the payee) shall receive notices from the clearing bank concerning the removal from the queue of orders pending execution of the payment orders of the third party that have not been executed due to cash default.

78. The Central Depository shall postpone settlement movements of the manual trades that have failed due to cash default on day S till the next settlement day, but not longer than the day S+2. In the event that the settlement movements of such manual trades have failed on the day S+2, their execution shall be terminated.

IX. SETTLEMENT OF CENTRAL MARKET TRANSACTIONS

79. Partial settlement of central market transactions is not feasible.

80. Settlement of central market transactions shall be carried out in due time indicated in the Schedule of the SSS in accordance with the aggregate positions in a single batch, i.e. a designated time settlement procedure shall be applied.

81. Having confirmed the settlement movements of central market transactions, the Participants must accumulate the amount of securities specified in *Aggregate settlement positions* in the general securities accounts with the Central Depository and (or) the amount of cash specified in the same message in the settlement accounts with the clearing bank before the execution of the settlement movements begins.

82. While carrying out settlement movements of central market transactions, the Central Depository shall check whether the amount of securities in general securities account of the Participants is sufficient, block the amount of securities required for settlements and submit to the Clearing Bank a batch of payment instructions of net balance positions (hereinafter referred to as the batch of instructions), specifying the amount of cash to be transferred from the settlement accounts of the Participants, who are to deliver cash, to the special account and from it to the settlement accounts of the Participants, who are to receive cash.

83. The batch of instructions shall be executed at the clearing bank without delay provided that there is a sufficient amount of cash on the settlement accounts of all the Participants, who are to deliver cash.

84. Having received a message concerning the transfers of cash, the Central Depository shall without delay transfer securities between the general securities accounts of the Participants and notify them by means of a message of the established format about the executed settlement movements

X. THE PROCEDURES TAKEN IN CASES OF SECURITIES AND (OR) CASH DEFAULTS DURING CENTRAL MARKET TRANSACTIONS²

Securities default

85. If carrying out the actions referred to in paragraph 82 a securities default is identified in the general securities account of at least one of the Participants (including Latvian and Estonian central depositories) who is to deliver securities, the Central Depository shall suspend all settlement movements of the central market transactions and in order to have the least impact on the settlements, shall select the non-executable settlement movements and recalculate aggregate settlement positions of each Participant in securities and cash (in such a case the aggregate settlement positions of the Participants in securities cannot exceed the quantity of traded securities, provided that these securities are available on the account).

86. Having carried out the actions referred to in paragraph 85, the Central Depository shall not inform the Participants about the matter. The Latvian and Estonian central depositories shall be notified of the selected non-executable settlement movements related to them. They must inform immediately whether after removing from the settlement process of day S the non-executable settlement movements it would be possible to record other settlement movements confirmed by them. The settlements shall be pursued further in accordance with the procedure laid down in paragraphs 82 - 84.

87. The Central Depository shall postpone the settlement movements of the central market transactions that have failed due to securities default on day S till the next settlement day, but not longer than the day S+10 inclusively.

² Including the cases, where one of the settlement parties of the manual trade is Latvian or Estonian central depository.

88. The Exchange member must ensure that not later than on day S+4 the amount of securities required for the settlement of the transaction concluded by the Exchange member is available on the general securities account of the Participant who is to settle the transaction concluded by this Exchange member. The Participant, who has to settle the transaction concluded by this Exchange member, must confirm the corresponding settlement movement (provided it has not been confirmed earlier) in due time indicated in the Schedule of the SSS.

89. Having identified that the Participant has accumulated the amount of lacking securities from day S+1 till day S+4 as specified in paragraph 87, the Central Depository shall continue execution of settlements according to the procedure laid down in Chapter IX.

90. If carrying the actions referred to in paragraph 82 on day S+4, the securities default is identified once again or the Participant fails to confirm the corresponding settlement movement, the Central Depository shall inform the Exchange on the matter. In that case the Exchange must buy the required securities under market conditions on behalf of the Exchange member as a result of whose actions the securities default has occurred, paying by the means of the Guarantee Fund. While placing the order, the Exchange shall indicate in the ad hoc settlement conditions that the acquired securities will be held on the personal Guarantee Fund account of the Exchange with the Central Depository. The Exchange shall notify the Central Depository on such a transaction in writing. On the basis of such a note the Central Depository shall confirm the generated settlement movement and process it. The order must be placed in a way that would make it possible to transfer the securities to the referred account e before the execution of the settlement movements begins on day S+9 at the due time indicated in the Schedule of the SSS.

91. Information about the transaction by means of which the Exchange has bought the required securities shall be forwarded to the Central Depository in accordance with the procedure specified in paragraph 37.

92. After the required securities are transferred to the personal Guarantee Fund account administered by the Central Depository, the Central Depository changes the corresponding settlement movement (which has been non-confirmed or which has been in default of securities), by indicating Central Depository as the party delivering securities and receiving cash. In this way the settlement of central market transaction in compliance with the settlement movement, which is due on day S, shall be finished.

93. The cash received shall be transferred to the Guarantee Fund account specified by the Exchange.

94. If the Exchange does not buy the required amount of securities in compliance with the procedure prescribed by paragraph 90, the Central Depository shall terminate the execution of the settlement movements of such central market transactions on day S+10.

Cash default

95. In the event that the clearing bank identifies cash default in the settlement account of at least one of the Participants taking part in the settlement, the Central Depository shall receive a message from the clearing bank about the blocked cash (if the amount of cash on the settlement account of the Participant is not sufficient to execute payment, the available balance of the account shall be blocked).

96. Upon receipt of the message referred to in paragraph 95, the Central Depository shall without delay suspend settlement movements of the Participants experiencing a deficiency of cash and in order to have the least impact on the settlements, shall select the non-executable settlement movements and recalculate aggregate settlement positions of each Participant in securities and cash (in such a case the aggregate settlement positions of the Participant in securities cannot exceed the quantity of the bought securities, whereas the ones in cash cannot exceed the sum blocked in the settlement account of the Participant).

97. Having carried out the actions referred to in paragraph 96, the Central Depository does not inform the Participants about the matter. The Latvian and Estonian central depositories shall be notified of the selected non-executable settlement movements related to them. After that the Central Depository shall once again generate and submit to the clearing bank a batch of instructions, specifying the amount of cash to be transferred from the settlement accounts of the Participants (who are to deliver cash) to the special account of the Central Depository with the clearing bank and from it to the settlement accounts of other Participants.

98. The settlements shall be pursued further in accordance with the procedure laid down in paragraphs 82 – 84.

99. The Central Depository shall postpone the settlement movements of the central market transactions that have failed due to a deficiency of cash on day S till the next settlement day, but not longer than the day S+3 inclusively.

100. The Exchange member must ensure that not later than on day S+1 the amount of cash required for the settlement of the transaction concluded by the Exchange member is available on the settlement account with the clearing bank of the Participant who is to settle the transactions concluded by this Exchange member. The Participant, who has to settle the transaction concluded by this Exchange member, must confirm the corresponding settlement movement (provided it has not been confirmed earlier) in due time indicated in the Schedule of the SSS.

101. Having identified that the Participant has accumulated the amount of lacking cash on day S+1 as specified in paragraph 100, the Central Depository shall continue execution of settlements according to the procedure laid down in Chapter IX.

102. While carrying the settlement movements of the central market transactions on day S+1 and having identified that the Participant has failed to confirm the settlement movement concerned or having received a message from the clearing

bank that there is a deficiency of cash for settlement movements specified in paragraph 99 on the Participant's settlement account once again, the Central Depository shall inform the Exchange on the matter after the close of the accounting day. In that case the Exchange must transfer the required amount of cash of the Guarantee Fund to the account indicated by the Central Depository before the execution of the settlement movements begins on day S+3 at the due time indicated in the Schedule of the SSS.

103. After the required amount of cash of the Guarantee Fund is transferred to the Guarantee Fund account of the Exchange administered by the Central Depository, the Central Depository shall change the corresponding settlement movement (which has been non-confirmed or which has been in default of cash), by indicating Central Depository as the party delivering cash and receiving securities. In this way the settlement of central market transaction in compliance with the settlement movement, which is due on day S, shall be finished.

104. The received securities shall be transferred to the personal Guarantee Fund account indicated by the Exchange.

105. If the Exchange does not transfer the required amount of cash of the Guarantee Fund in compliance with the procedure laid down in paragraph 102, the Central Depository shall terminate the execution of the settlement movements of such central market transactions on day S+3.

XI. SETTLEMENT OF TRANSACTIONS OF THE INITIAL PUBLIC OFFERING OF SHARES

106. A Participant, representing the issuer of the securities to be issued, or acting at his own account being the issuer himself, must open with the Central Depository the account of shares to be offered in accordance with the established procedure.

107. In accordance with the share offering order's number assigned by the trading system of the Exchange, the Central Depository shall aggregate the settlement movements of the transactions of the IPO of shares into one batch of settlement movements subject to a simultaneous execution and give it a unique number.

108. Partial settlement of transactions of the IPO of a share issue is not feasible.

109. In the Participants' secure information site of the Central Depository, the Exchange shall fix a minimum quantity of securities to be offered for each batch of settlement movements of the transactions of the IPO of shares, after settling of which the IPO of shares shall be deemed to have taken place.

110. The Participants must confirm the settlement movements of the transactions of the IPO of shares in compliance with the procedure established in chapter V.

111. Having confirmed the settlement movements of the transactions of the IPO of shares, the Participants must accumulate the amount of securities specified in *Aggregate settlement positions* in the general accounts of the securities to be

offered with the Central Depository and (or) cash in the settlement accounts with the Clearing Bank before the execution of the settlement movements begins.

112. The Central Depository on day S at the time fixed in the Schedule of the SSS shall record the batch of the settlement movements under the designated time settlement procedure, in accordance with the unique number assigned to such a batch. Each batch of settlement movements shall be carried out separately according to the designated time settlement procedure.

113. The settlement movements of each batch of transactions of IPO of shares shall be carried out according to the procedure that is analogous to the one established in paragraphs 822 - 84 at the time fixed in the Schedule of the SSS.

Securities default

114. If carrying out the actions referred to in paragraph 82 a securities default is identified in the general securities account of the Participant (including Latvian and Estonian central depositories) who is to deliver securities, the Central Depository shall postpone the execution of the batch of settlement movements of the transactions of the IPO of shares till the next day, but not longer than to day S+2.

115. The Exchange member must ensure that not later than on day S+2 the amount of securities required for the settlement of the transaction is available on the general securities account of the Participant who is to settle the transaction. The Participant, who is to settle the transaction, must confirm the corresponding settlement movements (provided these have not been confirmed earlier) in due time indicated in the Schedule of the SSS.

116. Having identified that the Participant has accumulated the amount of securities in default within the period from day S+1 till day S+4 as specified in paragraph 115, the Central Depository shall continue execution of settlements according to the procedure analogous to the one laid down paragraphs 82-84 at the time fixed in the Schedule of the SSS.

117. Having identified that the Participant has failed to accumulate the amount of securities in default within the period from day S+1 till day S+2 as laid down in paragraph 115, the Central Depository shall terminate the execution of the batch of settlement movements of the transactions of the IPO of shares.

Cash default

118. In the event that a message has been received from the clearing bank about a cash default identified in the settlement account of at least one of the Participants taking part in the settlement, the Central Depository shall postpone the execution of the batch of settlement movements of the transaction of IPO of shares till the next day, but not longer than to S+2.

119. The Exchange member must ensure that not later than on day S+2 the amount of cash required for the settlement of the transaction is available on the settlement account of the Participant who has to settle the transaction. The Participant, who has to settle the transaction, must confirm the corresponding

settlement movement (provided it has not been confirmed earlier) in due time indicated in the Schedule of the SSS.

120. If on day S+2 a deficiency of cash is identified once again on the settlement account of the Participant who is to deliver cash:

120.1. but the total number of securities to be issued, for the settlement of which the amount of cash is sufficient, does not fall lower than the minimum number of the securities to be offered that is fixed by the Exchange, the Central Depository shall terminate the execution of such settlement movements, and execute other settlement movements.

120.2. and as a result the total number of the securities to be offered, for the settlement of which the amount of cash is sufficient, falls lower than the minimum number of securities to be offered that is fixed by the Exchange, the execution of the batch of settlement movements pertaining to the transactions of such IPO of shares shall be terminated.

XII. SETTLEMENT OF TRANSACTIONS OF PUBLIC SALE OF SHARES

121. In accordance with the sell order number assigned by the trading system of the Exchange, the Central Depository shall aggregate the settlement movements of the transactions of public sale of shares into one batch of settlement movements subject to a simultaneous execution and give it a unique number.

122. Partial settlement of transactions of public sale of shares is not feasible.

123. In the Participants' secure information site of the Central Depository, the Exchange shall fix a minimum quantity of securities to be sold for each batch of settlement movements of the transactions of public sale of shares, after settling of which the public sale of shares shall be deemed to have taken place.

124. The Participants must confirm the settlement movements of the transactions of the public sale of shares in compliance with the procedure established in Chapter V.

125. Having confirmed the settlement movements of the transactions of the public sale of shares, the Participants must accumulate the amount of securities specified in *Aggregate settlement positions* on the general securities accounts with the Central Depository and (or) cash in the settlement accounts with the clearing bank before the execution of the settlement movements begins.

126. The Central Depository on day S at the time fixed in the Schedule of the SSS shall record the batch of the settlement movements under the designated time settlement procedure, in accordance with the unique number assigned to such a batch. Each batch of settlement movements shall be carried out separately according to the designated time settlement procedure.

127. The settlement movements of each batch of transactions of public sale of shares shall be carried out according to the procedure that is analogous to the one established in paragraphs 82 - 84 at the time fixed in the Schedule of the SSS.

Securities default

128. If carrying out the actions referred to in paragraph 82 a securities default is identified in the general securities account of the Participant (including Latvian and Estonian central depositories) who is to deliver securities, the Central Depository shall postpone the execution of the batch of settlement movements of the transactions of the public sale of shares till the next day, but not longer than to day S+2.

129. The Exchange member must ensure that not later than on day S+2 the amount of securities required for the settlement of the transaction is available on the general securities account of the Participant who is to settle the transaction. The Participant, who is to settle the transaction, must confirm the corresponding settlement movements (provided these have not been confirmed earlier) in due time indicated in the Schedule of the SSS.

130. Having identified that the Participant has accumulated the amount of securities in default within the period from day S+1 till day S+2 as specified in paragraph 129, the Central Depository shall continue execution of settlements according to the procedure analogous to the one laid down in paragraphs 82-84 at the time fixed in the Schedule of the SSS.

131. Having identified that the Participant has failed to accumulate the amount of securities in default within the period from day S+1 till day S+2 as laid down in paragraph 129, the Central Depository shall terminate the execution of the batch of settlement movements of the transactions of the public sale of shares.

Cash default

132. In the event that a message has been received from the clearing bank about a cash default identified in the settlement account of at least one of the Participants taking part in the settlement, the Central Depository shall postpone the execution of the batch of settlement movements of the transaction of the public sale of shares till the next day, but not longer than to S+2.

133. The Exchange member must ensure that not later than on day S+2 the amount of cash required for the settlement of the transaction is available on the settlement account of the Participant who has to settle the transaction. The Participant, who has to settle the transaction, must confirm the corresponding settlement movement (provided it has not been confirmed earlier) in due time indicated in the Schedule of the SSS.

134. If on day S+2 a deficiency of cash is identified once again on the settlement account of the Participant who is to deliver cash:

134.1. but the total number of securities to be traded, for the settlement of which the amount of cash is sufficient, does not fall lower than the minimum number of the securities to be traded that is fixed by the Exchange, the Central Depository shall select together with the Exchange non-executable settlement movements, terminate their execution, and execute other settlement movements.

134.2. as a result the total number of the securities to be traded, for the settlement of which the amount of cash is sufficient, falls lower than the minimum number of securities to be traded that is fixed by the Exchange, the execution of

the batch of settlement movements of the transactions the public sale of shares shall be terminated.

XIII. SETTLEMENT OF TRANSACTIONS OF A TENDER OFFER

135. In accordance with the number of the order for the execution of the tender offer assigned by the trading system of the Exchange, the Central Depository shall aggregate the settlement movements of the transactions of a tender offer into one batch of settlement movements subject to a simultaneous execution and give it a unique number.

136. Partial settlement of transactions of a tender offer is not feasible.

137. In the Participants' secure information site of the Central Depository at the close of day T, the Exchange :

137.1. shall fix a minimum quantity of securities for each batch of settlement movements of the transactions of a (voluntary) tender offer, after settling the purchase of which the tender offer shall be deemed to have taken place;

137.2. depending on the conditions of the (voluntary) tender offer, can modify the settlement movements of the batch of transactions of the tender offer generated by the Central Depository as well as generate additional settlement movements and aggregate them into one batch of settlement movements.

138. The Participants must confirm the settlement movements of the transactions of a tender offer in compliance with the procedure established in chapter V.

139. Having confirmed the settlement movements of the transactions of a tender offer, the Participants must accumulate the amount of securities specified in *Aggregate settlement positions* on the general securities accounts with the Central Depository and (or) cash on the settlement accounts with the clearing bank before the execution of the settlement movements begins.

140. The Central Depository on day S at the time fixed in the Schedule of the SSS shall record the batch of the settlement movements under the designated time settlement procedure, in accordance with the unique number assigned to such a batch. Each batch of settlement movements shall be carried out separately according to the designated time settlement procedure.

141. The settlement movements of each batch of transactions of a tender offer shall be carried out according to the procedure that is analogous to the one established in paragraphs 82 - 84 at the time fixed in the Schedule of the SSS.

Default of securities (being the object of a mandatory tender offer)

142. In case of securities default during the mandatory tender offer the execution of the settlement movements for which the securities default has been identified shall be terminated, whereas other settlement movements shall be executed.

Cash default (in case of a mandatory tender offer)

143. In the event that a message has been received from the clearing bank about a cash default identified in the settlement account of the Participant, who is to deliver cash, the Central Depository shall postpone the execution of the batch of

settlement movements of the transactions of a tender offer till the next day, but not longer than to S+2.

144. The Exchange member must ensure that not later than on day S+2 the amount of cash required for the settlement of the transaction is available on the settlement account of the Participant who is to settle the transaction. The Participant, who is to settle the transaction, must confirm the respective settlement movements (provided they have not been confirmed earlier) in due time indicated in the Schedule of the SSS.

145. Having identified that the Participant has accumulated the amount of lacking cash within the period from day S+1 till day S+2 as specified in paragraph 152, the Central Depository shall continue execution of settlements according to the procedure that is analogous to the one laid down in paragraphs 82 – 84 in due time indicated in the Schedule of the SSS

146. If on day S+2 the cash default is identified once again in the settlement account of the Participant who is to deliver cash, the execution of the batch of settlement movements shall be terminated.

DEFAULT OF SECURITIES (BEING THE OBJECT OF THE VOLUNTARY TENDER OFFER)

147. If carrying out the actions referred to in paragraph 82 a securities default is identified in the general securities account of the Participant (including Latvian and Estonian central depositories) who is to deliver securities, the Central Depository shall postpone the execution of the batch of settlement movements of a tender offer till the next day, but not longer than till day S+2.

148. The Exchange member must ensure that not later than on day S+2 the amount of securities required for the settlement of the transaction is available on the general securities account of the Participant who is to settle the transaction. The Participant, who is to settle the transaction, must confirm the respective settlement movements (provided they have not been confirmed earlier) in due time indicated in the Schedule of the SSS.

149. Having identified that the Participant has accumulated the amount of lacking securities within the period from day S+1 till day S+2 as specified in paragraph 148, the Central Depository shall continue execution of settlements according to the procedure that is analogous to the one laid down in paragraphs 82 – 84 in due time indicated in the Schedule of the SSS.

150. If on day S+2 a deficiency of securities is identified once again on the general securities account of the Participant who is to deliver securities:

150.1. but the total number of securities to be purchased does not fall lower than the minimum number of the securities to be purchased that is fixed by the Exchange, the Central Depository shall select together with the Exchange non-executable settlement movements, terminate their execution, and execute other settlement movements.

150.2. as a result the total number of the securities to be purchased falls lower than the minimum number of securities to be purchased that is fixed by the Exchange, the execution of the batch of settlement movements of such a tender offer shall be terminated.

Cash default (in case of a voluntary tender offer)

151. In the event that a message has been received from the clearing bank about a cash default identified in the settlement account of the Participant who is to deliver cash, the Central Depository shall postpone the execution of the batch of settlement movements of the transactions of a tender offer till the next day, but not longer than to S+2.

152. The Exchange member must ensure that not later than on day S+2 the amount of cash required for the settlement of the transaction is available on the settlement account of the Participant who is to settle the transaction. The Participant, who is to settle the transaction, must confirm the respective settlement movements (provided they have not been confirmed earlier) in due time indicated in the Schedule of the SSS.

153. Having identified that the Participant has accumulated the amount of lacking cash within the period from day S+1 till day S+2 as specified in paragraph 151, the Central Depository shall continue execution of settlements according to the procedure that is analogous to the one laid down in paragraphs 82 – 84 in due time indicated in the Schedule of the SSS.

154. If on day S+2 the cash default is identified once again in the settlement account of the Participant who is to deliver cash, the execution of the batch of settlement movements shall be terminated.

Default of securities as a means of settlement (in case of a voluntary tender offer)

155. The paragraphs 156 - 159 of these Rules shall apply in cases where the transactions concluded according to the voluntary tender offer are settled in other securities.

156. If carrying out the actions referred to in paragraph 82 a securities default is identified in the general securities account of the Participant (including Latvian and Estonian central depositories) who is to deliver securities, the Central Depository shall postpone the execution of the batch of settlement movements till the next day, but not longer than to day S+2.

157. The Exchange member must ensure that not later than on day S+2 the amount of securities required for the settlement of the transaction is available on the general securities account of the Participant who is to settle the transaction. The Participant, who is to settle the transaction, must confirm the respective settlement movements (provided they have not been confirmed earlier) in due time indicated in the Schedule of the SSS.

158. Having identified that the Participant has accumulated the amount of lacking securities within the period from day S+1 till day S+2 as specified in paragraph 157, the Central Depository shall continue execution of settlements according to the procedure that is analogous to the one laid down in paragraphs 82 – 84 in due time indicated in the Schedule of the SSS.

159. Having identified that the Participant failed to accumulate the lacking securities within the period from day S+1 till day S+2 as specified in paragraph 157, the Central Depository shall terminate the execution of the batch of settlement movements of the voluntary tender offer.

XIV. penalties for the cases of default and termination of settlement movements

160. In the case where settlement movements have been postponed till the next settlement day or terminated due to securities and (or) cash defaults on the Participant's accounts or because the Participant has failed to confirm the settlement movement concerned, such Participant must pay penalties to the Central Depository according to the procedure and within the terms established by the Central Depository.

Standard settlement conditions

Annex 1

Exchange member _____
(name)

VSE member code in SAXES system	Settlement place central depository*	Owner Category	Parameters of securities accounts				Cash custodian (write a 4-character code of CSDL participant)
			Central depository participant code (CDPC)	Type of activity (TA)	Nature of account (NA)	Number of account in custodian's accounting	
		Main settlement account					
		Client owner					
		Own account					
		Market maker					
		Issuer holding					

*CSDL- Central Securities Depository of Lithuania; LCD- Latvian Central Securities Depository; ECSD- Estonian Central Securities Depository