



**MARKET PRACTICE GUIDE FOR SECURITIES  
SETTLEMENT**

2017

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# ***1. Introduction***

## ***1.1. The purpose of the market practice guide***

This market practice guide describes post-trading settlement procedures and timetables for trades concluded on the Nasdaq Tallinn, the Nasdaq Riga and the Nasdaq Vilnius as well as the OTC transaction environment of the Estonian Central Securities Depository, the Latvian Central Depository and the Central Securities Depository of Lithuania. It also describes how settlement instructions on shares and debt instruments registered at the Baltic Central Securities Depositories (CSDs) shall be formatted by market participants and provides market cut-off times in order to ensure due settlement. Market participants may require their clients to adhere to earlier cut-off times or supplementary conditions to those prescribed by the Baltic Exchanges and CSDs. In such cases, the market participant/client agreements shall prevail.

## **2. Market practice for securities settlement in Estonia**

### **2.1. Clearing and settlement organization**

Clearing and settlement in Estonia is organised by the Estonian Central Securities Depository (hereinafter EVK).

Established in 1994, EVK is a public limited company, operating under the name "AS Eesti Väärtpaberikeskus". EVK is wholly owned by the Latvian Central Depository (AS "Latvijas Centrālais Depozitārijs" hereinafter LCD). Both companies belong to the Nasdaq Group. EVK operates in accordance with the Estonian Central Register of Securities Act authorized by the state, pursuant to the signed Registrar Contract.

In Estonia the beneficiary accounts model is applied, however the nominee concept is also permitted and professional participants in the Estonian securities market have the right to own a nominee account as a special type of securities account. Foreign legal entities also have the right to own a nominee account if, according to the applicable law, they have the right to hold securities in their own name and on behalf of another entity/person.

Professional participants in the Estonian market include investment firms, credit institutions, the operator of the regulated market, the operator of the securities settlement system and other persons prescribed by law.

### **2.2. Applicable laws, rules and regulations**

The securities clearing and settlement process is covered by statutory provisions set out in the relevant Estonian legal acts and EVK rules and regulations. The member firms of the Nasdaq Tallinn (hereinafter TSE) and the EVK account operators are bound by these legal acts, rules and regulations in their relations with EVK and each other.

More information can be obtained on the following websites:

- EVK Rules and Regulations on the site: <https://www.e-register.ee/en/for-company/rules-and-regulations>
- TSE Rules and Regulations on the site: <http://www.nasdaqbaltic.com/en/products-services/rules-and-regulations/nasdaq-omx-tallinn-rules/>

### **2.3. Operating hours and public holidays**

Any reference to time in this section of the document is Estonian time, which is CET+1.

EVK operating hours are 08:00 to 19:00, Monday - Friday, with the exception of public holidays.

Following is a list of public holidays in Estonia for 2017:

<b>Weekday</b>	<b>Date</b>	<b>Public holiday</b>
Friday	February 24	Independence Day of Estonia
Friday	April 14	Good Friday
Monday	April 17	Easter Monday*
Monday	May 1	Spring Day
Friday	June 23	Victory Day
Monday	December 25	Christmas Day
Tuesday	December 26	Boxing Day

\*Easter Monday is not a public holiday in Estonia, but as it is a TARGET2 holiday, the settlement of DVP transactions in EUR will not be performed by EVK.

## **2.4. Clearing agents**

A clearing agent is a credit institution that provides cash clearing services for domestic and cross-border stock exchange trades and delivery versus payment (DVP) transactions to account operators and trading members that do not have access to the central bank clearing and settlement system.

The obligations of a clearing agent services provider are as follows:

- It must be a licensed credit institution;
- It must have a correspondent account in the local central bank;
- It must have a correspondent relationship with commercial banks settling in other Baltic central banks;
- It must have an agreement with account operators or trading members that have no access to central bank cash clearing and settlement system;
- It must give its confirmation (or rejection) of cash positions to be settled in the relevant central bank;
- It must make the necessary currency conversions.

## **2.5. Clearing and settlement of Nasdaq Tallinn trades**

### **2.5.1 Settlement cycle**

The default settlement cycle of TSE trades is T+2, trade counterparties may agree on a different cycle (T+1...T+6) for negotiated trades. Settlement time schedules are provided in Appendix 2.

### **2.5.2. Trading and settlement currency**

The trading and settlement currency of TSE is the euro (EUR).

### **2.5.3. Generation of TSE trade information for settlement**

After a TSE trade is executed in the INET trading system, it is immediately transferred from INET via the Traxess database (an intermediary database used for collecting trading results from Baltic stock exchanges) to EVK's clearing and settlement system - Depend. TSE trades concluded by Latvian or Lithuanian trading members are routed to the respective CSD by EVK and disclosed by the Latvian and Lithuanian CSDs to their participants online on the Trade Date (T). EVK acts as an Issuer CSD and the Latvian and Lithuanian CSDs act as Investor CSDs for TSE trades.

### **2.5.4. Trade enrichments**

All matched TSE trades routed to Depend have to be enriched by trading members by 11:00 on the Settlement Date (S). The trade enrichment consists of the securities account number, quantity, buy/sell side and the trading member's confirmation of the trade details. More than one enrichment on both sides of a trade is allowed. The trade is enriched if it has a complete and confirmed set of enrichments.

The trading member can enrich trades manually via the settlement system's user interface. If the trading member has informed TSE of its default clearing details (securities account number and the settlement place) prior to starting to trade or if the clearing information was entered into the stock exchanges trading system either with the order or trade, the trades are enriched automatically.

Clearing information that was entered into the stock exchanges trading system is validated before it is transferred to the clearing and settlement system.

- If it passes technical validation and the settlement place is LCD/LCVPD then enrichments will be transferred to LCD/LCVPD. EVK inserts the trade enrichment into Depend using LCD/LCVPD nominee accounts;

- If it passes technical validation and the settlement place is EVK then enrichments will be transferred to EVK and disclosed to the relevant account operators;
- If it does not pass technical validation then default values will be used. Each trading member provides the respective stock exchange with default values before starting to trade in the INET environment.

### **2.5.5. Change of the settlement date**

The trading member can change the settlement date until S 11:00, by submitting the relevant application to TSE. Approval from both parties involved in the trade is required. The earliest possible new settlement date is T+1.

### **2.5.6. Change of settlement place**

The trading member can change the settlement place until S 11:00, by submitting the relevant application to TSE; for example, it can choose either EVK or LCD/LCVPD as settlement place. In this case, the initial designated CSD (settlement place) must send the trade information for settlement to the new settlement place.

### **2.5.7. Trade confirmations**

TSE trades shall be confirmed by S 11:00. A TSE trade must be confirmed by the account operator indicated in the trade enrichment information. By giving a confirmation, the account operator confirms that it has received the relevant affirmation for the trade from the buyer or seller.

Trades that are settled cross-border to LCD/LCVPD shall also be confirmed to the relevant CSD by S 11:00. Immediately afterwards, LCD/LCVPD validates the confirmations, checks whether there is sufficient amount of securities on the account managers' accounts and, in successful cases, sends confirmations to EVK.

If some part of the confirmation is missing or the securities amount is insufficient, trades that cannot be settled are reported by LCD/LCVPD to EVK. Based on this information, EVK then decides how to proceed with a defaulting trade; for example, the settlement date of the trade may be postponed.

### **2.5.8. Default handling**

In order to guarantee the execution of the transaction, TSE has the right to impose sanctions on its members. These default measures can be imposed if the TSE trading member has not provided the necessary trade enrichments for the execution of TSE trades or if the trade cannot be settled for some other reason.

Default break for TSE transactions is at S 14:00 meaning that from that deadline forward EVK (at the request by TSE) will enforce default handling procedures on TSE transactions to ensure successful settlement.

A general default handling rule is that EVK postpones settlement date of the TSE transactions that have failed to settle as a result of recurring settlement attempts.

Extra default handling measures provided by the rules of TSE may be applied towards stock exchange trades that have not been settled by default break. Such measures include:

- Use of TSE guarantee fund to cover lack of funds;
- Replacement of the short principal (seller) with the member of the exchange, which mediated the trade;
- Buy-in procedures etc.

General default handling rule shall apply if TSE has chosen not to implement extra default handling measures.

## 2.6. OTC Transactions

### 2.6.1. Settlement Cycle

The default settlement cycle of OTC trades is T+0. Although, trade counterparties may agree on a different settlement cycle, if required.

### 2.6.2. Currencies

Over-the-counter delivery versus payment transactions (OTC DVP) are entered and settled in Euro (EUR).

### 2.6.3. Instructions and enrichments

After the seller and the buyer have agreed on an OTC transaction, their account operators must enter the respective transaction orders for the securities transfer into the EVK system.

Counterparties can enter transactions and settlement enrichments independently from each other.

The matching criteria are as follows:

Match criteria	Free of payment (FOP) transfer	OTC DVP transaction
<b>Mandatory</b>		
Instruction Type	Yes	Yes
Transaction Type	Yes	Yes
Buy/Sell	Yes	Yes
Participant	Yes	Yes
Account Number	Yes	Yes
Counterparty	Yes	Yes
Counterparty's Account Number	Yes	Yes
ISIN Code	Yes	Yes
Quantity	Yes	Yes
Amount	Yes (may be left blank)	Yes
Currency	Yes (may be left blank)	Yes
Trade Date	Yes	Yes
Intended Settlement Date	Yes	Yes
<b>Additional</b>		
Matching Reference	Optional, may be left blank	Optional, may be left blank

Explanation about additional matching fields based on Matching Reference's example:

- If both trade counterparties' have entered identical Matching Reference, the transactions will match;
- If one of trade counterparty's has entered the Matching Reference and the other has left it blank, the transactions will not match and two separate trade instructions will be entered.
- If both trade counterparties have entered non-identical Matching Reference's, the transactions will not match and two separate trade instructions will be entered.

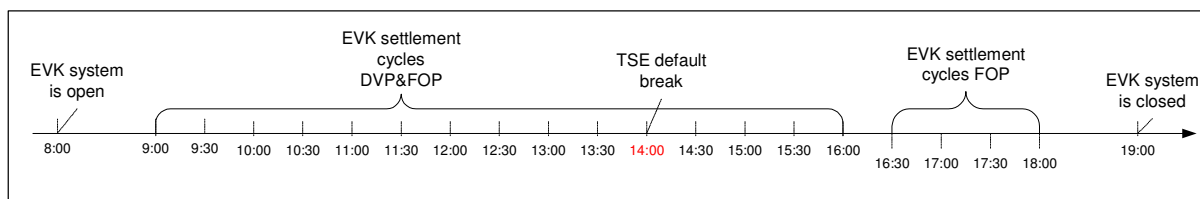
### 2.6.4. Tolerance Amount

Currently the tolerance amount for matching the cash amount is EUR 0.

The general tolerance amount for matching cash amount (EUR 25 when the counter-value is above EUR 100.000 or EUR 2 when it is less or equal to EUR 100.000) may be adopted if required so by the market participants.

## 2.7. Clearing and settlement of securities transactions

### 2.7.1 Settlement day schedule



General EVK settlement day schedule

### 2.7.2 Settlement eligibility control

A transaction qualifies for settlement if the following preconditions are met:

- Current day is the settlement day;
- Matched trades are properly enriched and confirmed;
- A transaction is not withheld from processing by the participant (Hold/Release functionality). The transaction will be included to processing as soon as the restriction is removed;
- All transactions that the participant has linked together with the condition "all-or-none" are eligible for settlement.
- In case of DVP transactions - technical preconditions of the cash leg clearing are present i.e. either cash clearing agent's confirmation or the cash amount is within allowed cash clearing limit.

The above controls are applied on transactions where the Estonian CSD acts as the Issuer CSD:

- TSE stock exchange transactions (both domestic and cross-border);
- OTC DVP-s (both domestic and cross-border), including transactions conducted by Central Bank as part of its credit operations;
- FOP transactions (both domestic and cross-border).

### 2.7.3 Collating of settlement instructions

Settlement instructions that have successfully passed the settlement eligibility control are collated based on priority assigned.

The priority levels are as follows:

- 1) Reserved priority - reserved for participating CSDs and Central banks. This priority level is the highest of all priority levels;
- 2) Top priority - used for transactions from trading platforms (stock exchange transactions, MTFs etc.);
- 3) High priority - the account operators are allowed to assign high priority to OTC transactions;
- 4) Normal priority - by default normal priority is assigned to OTC transactions.

If the matched transactions have different priorities, the seller's priority shall prevail.

## 2.7.4 Trade-by-trade settlement with optimization batches

Settlement takes place on scheduled recurrent processing cycles as soon as the preconditions for the settlement are met. The processing cycles are run at least every full and half hour during the settlement period. This function consists of two basic procedures:

- Optimization
  - o The settlement system checks instructions that satisfy the settlement preconditions in a batch basis and instructions are settled at the end of the processing. Processing will settle linked and back-to-back instructions, chained transactions and deadlocks.
- Trade-by-trade settlement (also for OTC trades with cross border settlement)
  - o The settlement system checks each instruction individually and settles instructions that satisfy the settlement prerequisites.

The cash settlement is performed via TARGET2 (T2) by use of the autonomous central bank money model. The clearing agents transfer liquidity necessary for settlement to EVK T2 account, which is mirrored to clearing agent's designated liquidity accounts in EVK Liquidity Settlement Module (LSM). Settlement is final after debiting and crediting the liquidity accounts of the clearing agents in EVK Liquidity Settlement Module.

### 2.7.4.1 Outline of settlement processing for a single settlement instruction

When the settlement system takes an instruction for settlement processing, the system locks the instruction in so that no external actions can be undertaken that would affect it.

In the settlement processing the settlement system checks whether there are enough securities on the seller's securities account. If the balance is sufficient, the necessary amount of securities will be reserved for settlement.

Next the settlement system checks whether the buyer's cash clearing agent has enough cash in its liquidity account. If cash balance is sufficient, the settlement system reserves the amount corresponding to the trade amount.

If the cash can be reserved in the settlement processing, the settlement system will send a request for transfer of securities from the seller's securities account to the buyers securities account and simultaneously cash will be transferred from the buyer's cash clearing agent to the seller's cash clearing agent.

If the seller's securities account does not have enough securities, settlement of the instruction will be halted. New settlement attempt will be made during the next settlement processing cycle.

If the seller has enough securities in the securities account but the buyer's cash clearing agent does not have enough cash in the liquidity account, settlement of the instruction will be halted and seller's reserved securities will be released. New settlement attempt will be made during the next settlement processing cycle.

In case of a free of payment instruction, no cash availability control is performed. The transfer of securities from the seller's securities account to the buyer's securities account is made if the deliverable securities are available.

### 2.7.4.2 Optimization

Optimization is based on batch processing. Optimization identifies whether a number of settlement instructions could be settled simultaneously even though it would not be possible to settle them one-by-one. All settlement instructions taken into optimization are locked in while the processing lasts, during which no other actions can be effected on them. In the beginning of the optimization process there will be cash reservations in the liquidity accounts for the payment instructions and securities reservations in the affected securities accounts.

The optimization process includes the following phases:

- 1) Locking in of all settlement instructions;
- 2) Reserving of required securities balances and cash;

- 3) Transferring of cash and securities between accounts for the instructions that have been selected for settlement;
- 4) Informing external CSD's of the result/results of the settlement;
- 5) Cancellation of no longer required reservations.

Should there be settlement instructions that failed to settle during the optimization phase, new attempt will be made to settle in the trade-by-trade settlement.

### 2.7.4.3 Trade-by-trade settlement

In the trade-by-trade settlement trades are processed as a queue. The settlement instructions are collated by priority and match time and processed as a single trivial batch one at a time in accordance with the principles for settlement processing of a single transaction.

All settlement instructions that did not meet the settlement prerequisites, either cash or securities, will be processed in the next settlement cycle.

### **3. Market practice for securities settlement in Latvia**

#### **3.1. Clearing and settlement organization**

Clearing and settlement in Latvia is organized by the Latvian Central Depository.

Established in 1995, the Latvian Central Depository or the AS "Latvijas Centrālais Depozitārijs" (hereinafter LCD) is a private joint stock company. An operating license was issued by the Ministry of Finance on April 28, 1995, and operational activities commenced on June 27, 1995. The LCD is wholly owned by the Nasdaq Nordic Oy, which in turn is 100% owned by the Nasdaq Group.

Law on the Financial Instruments Market gives LCD the legal authority to act as a CSD in Latvia and take responsibility for the administration of all accounting and settlement of all publicly issued securities in Latvia. Accordingly, one of the LCD's key tasks is to ensure secure and efficient securities clearing and settlement system in Latvia.

LCD operations are supervised and regulated by the Financial and Capital Market Commission (hereinafter FCMC).

#### **3.2. Applicable laws, rules and regulations**

Pursuant to Law on the Financial Instruments Market, procedures for the clearing and settlement of securities are described in the rules and regulations of the LCD. LCD market participants are bound by these rules and regulations in their dealings with LCD and each other.

The Rules and Regulations can be obtained on the following web sites:

- Law on the Financial Instruments Market on the site:  
<http://www.fktk.lv/en/law/financial-instruments-market/laws/4310-2011-06-14-law-on-the-financial-ins.html>
- LCD Rules and Regulations on the site:  
<http://www.nasdaqomxbaltic.com/en/csds/latvian-csd/lcd-rules>
- RSE Rules and Regulations on the site:  
<http://www.nasdaqomxbaltic.com/en/products-services/rules-and-regulations/nasdaq-omx-riga/>

The Financial and Capital Market Commission supervises all financial market participants in Latvia.

In Latvia the omnibus accounts model is applied.

#### **3.3. Operating hours and public holidays**

Any reference to time in this section of the document is Latvian time, which is CET+1.

The operating hours of the LCD SSS DENOS are 08:00 to 19:00 Monday - Friday, with the exception of Saturdays, Sundays, New Year's Day, Good Friday and Easter Monday, 1 May (Labour Day), Christmas Day and 26 December.

For the securities settlement of the Eurosystem's monetary policy operations LCD operates according to T2LV system operating schedule and business hours, i.e. every day from 08.00 until 19.00 EET (07.00-18.00 CET) with the exception of Saturdays, Sundays, New Year's Day, Good Friday and Easter Monday, 1 May (Labour Day), Christmas Day and 26 December.

Settlement holidays for the year 2017 for transactions executed at the Stock Exchange Nasdaq Riga are as follows:

<b>Weekday</b>	<b>Date</b>	<b>Public holiday</b>
Friday	April 14	Good Friday
Monday	April 17	Easter Monday
Monday	May 1	Labour Day
Thursday	May 4	Declaration of Independence Latvia
Friday	May 5	Non-business day*
Friday	June 23	Midsummer's Eve (Ligo)
Monday	November 20	Proclamation of the Republic of Latvia**
Monday	December 25	Christmas Day
Tuesday	December 26	Boxing day

\* Regarding of the decision of the Government of the Republic of Latvia as of June 15, 2016 "Regarding shifting of working days in 2017" the working day is moved from May 5, 2017 to May 13, 2017.

\*\* According to the Latvian government law on the national holidays in case November 18, Proclamation of the Republic of Latvia, falls on Saturday or Sunday, the next working day is a holiday.

### **3.4. Clearing agent**

An LCD account manager that has not opened account in the T2LV system and submitted direct debit authorisation to the LCD and the Bank of Latvia for cash settlements for transactions with DVP settlement, must appoint another LCD participant as its clearing agent. Copy of cooperation agreement between account manager and LCD participant which is entitled to perform cash settlements regarding transactions with financial instruments registered with the LCD and corporate actions must be presented to the LCD before LCD participant rights are granted.

The agreement or the letter of attorney issued pursuant to the agreement shall indicate the maximum value of cash that an LCD participant, utilizing the cash clearing agent service, is entitled to use each day for the settlement of net and gross settlements of transactions. In this agreement, it may be specified that the LCD participant, providing the cash clearing agent service, shall submit a statement to LCD on a daily basis indicating the amount of funds they agree to utilize to settle transactions performed by another LCD participant.

### **3.5. Clearing and settlement of Nasdaq Riga trades**

#### **3.5.1. Settlement cycle**

Automatically matched trades are always settled on the second day after the trade (T+2), where T is the day of conclusion of the transaction. RSE negotiated deals may have a settlement period between T+0 and T+40 (inclusive). Settlement time schedules are provided in Appendix No. 2.

#### **3.5.2. Trading and settlement currency**

The official trading and settlement currency of RSE trades is the euro (EUR). RSE listed securities can also be traded in US dollars (USD). In such cases the settlement of such transactions will be also be carried out in the respective currency.

#### **3.5.3. Settlement principles**

Settlement of RSE trades can either be based on net or gross principle. The gross principle is applied in case of negotiated trades with settlement cycles of T+0 and settlement on Treasury securities purchased at auctions on RSE. All other RSE trades are settled by net principle.

### 3.5.3.1 Settlement by net principle

- **Generation of RSE trade information for settlement**

After RSE trade is executed in the INET trading system, it is immediately transferred from INET via the TRAXESS database to the LCD's SSS – DENOS.

- **Trade enrichments**

RSE trades are automatically enriched with the settlement details indicated in the trade. If the trade enrichment inserted by the trading member is technically incorrect or not inserted at all, the trade will be enriched with the values of default account manager in the LCD system.

RSE trades concluded by Estonian or Lithuanian trading members are routed to the respective CSD by LCD and further forwarded by the Estonian and Lithuanian CSDs to their participants online on T.

- **Change of settlement date**

Until S 10:00, it is possible for the trading member to change the settlement date by submitting the relevant application to RSE. RSE then cancels the previous trade and enters a new one containing the changed settlement details into DENOS. The account managers of both parties are requested to confirm the settlements details of the trade by S 11:00.

- **Change of account manager for securities settlement**

Account manager that has received the request to confirm the settlement of RSE trade, but doesn't have grounds for that, can submit their rejection until S 10:00 by sending an appropriate message to LCD. The account manager may indicate new account manager in their rejection message.

LCD will require confirmation from the respective new account manager before proceeding with the settlement.

- **Trade confirmations**

RSE trades shall be confirmed by S 11:00 in DENOS.

Trade confirmations are only requested from account managers in the following cases:

- a trade enrichment inserted by a trading member was technically incorrect;
- trade enrichment was not inserted or was inserted incompletely by a trading member;
- the settlement of the trade will be provided by the account manager, which is not the same legal entity that concluded the trade on the RSE (e.g. cross-border settlement);
- a trading member has indicated in the trade that the buyer/seller's account manager confirmation is required.

If trade confirmation from the account manager is not required, no information is sent to the account manager.

Account managers can decline to confirm a trade until S 10:00 if:

- if that was assigned to the default account manager because trade enrichment inserted by trading member was technically incorrect or incomplete or enrichment was not inserted by trading member at all;
- the trade enrichment details are complete and correct, but the information does not conform with the submitted instructions from the investor.

When rejecting the settlement, the account manager has a right to provide correct settlement information or the obligation to settle the trade is passed on to the trading member's default account manager. LCD will request confirmation from the new/default account manager.

Trades that are settled cross-border to EVK/LCVPD shall also be confirmed to the respective CSD by S 11:00. Immediately afterwards, EVK/LCVPD checks the correctness of the confirmation, blocks the sold securities on the seller's account and sends trade confirmations to LCD. If the quantity of securities is insufficient,

EVK/LCVPD will immediately inform LCD about those specific trades. Settlement of those trades will be postponed to next day net settlement.

- **Pre-settlement activities**

By S 11:10, at the latest, the account manager providing clearing agent services for other account managers, informs LCD about the maximum value of cash which can be used from the clearing agent cash account in the T2LV system to settle trades for other account managers.

By S 11:15, LCD calculates the multilateral net securities and cash positions of the account managers involved in the settlement. LCD will inform the account manager of any insufficiency of securities on the correspondent account at LCD. FOP transfers can be used to cover the short position in securities.

By S 12:00, account managers are obliged to provide the required funds for the settlement of trades in the cash accounts with the T2LV.

- **1st Settlement cycle**

On S 12:00, LCD checks the availability of securities according to calculated net positions on the account managers' omnibus accounts and:

- if the quantity of securities is sufficient, they are blocked;
- if there is an insufficient quantity of securities for certain transactions, LCD either selects those transactions and settles them according to gross principle (see 3.5.3.2. Settlement by gross principle) as soon as the required quantity of securities is provided or postpones the trade to next day settlement. The selection of trades is done on a best-effort basis and the maximum settlement execution principle is applied.

By 12.30 on the S day, based on the calculated net positions, LCD submits to T2LV direct debit instructions to transfer the cash from the cash accounts of the LCD participants, for whom net positions have been calculated, to the LCD cash account.

Where the direct debit instructions submitted have been executed in T2LV by 12.45 on the S day, LCD by 13.00 on the S day the latest, submits to T2LV credit instructions to transfer funds from the LCD cash account to the LCD participants' accounts based on the calculated net positions.

Where, by 13.15 on the S day, the LCD instructions have been executed in T2LV, LCD transfers the blocked financial instruments in accordance with the calculated net positions and sends settlement confirmations on a trade-by-trade basis to all concerned account managers including EVK and LCVPD. Based on information received from the LCD, account managers as well as EVK/LCVPD make entries in their book-entry system.

DVP settlement order shall be considered as entered into the settlement system of LCD and shall be irrevocable from the moment by initiating the execution of DVP settlement order by LCD.

- **2nd Settlement cycle**

The 2nd settlement cycle is carried out only in the case of insufficient funds in the cash account with T2LV.

Between the 1st and 2nd cash settlement attempt RSE may decide whether to involve the Guarantee Fund to cover insufficient cash positions or postpone, or cancel the respective trades. RSE shall inform LCD about its decision no later than S 13:30.

At S 13:30 – 14:00, LCD verifies whether the required quantity of securities has been blocked. The securities' net positions could change if RSE decides to cancel or postpone some trades. In this case, LCD unblocks securities that were blocked for the first cycle of settlement, calculates new net positions and blocks the new quantity of securities.

By S 14:00, LCD will notify all the parties about the new net positions and postponed trades.

By 14.00 on the S day LCD submits to T2LV direct debit instructions to transfer the cash funds from the cash accounts of the LCD participants, for whom net debit cash position has been calculated, to the LCD cash account. When specifying the amount to be debited from the LCD participant's cash account, LCD subtracts the amount blocked for the respective LCD participant in the LCD account from the calculated debit amount.

Where by 14.15 on the S day all direct debit instructions submitted have been executed, LCD without delay however by 14.30 on the S day the latest, submits to T2LV credit instructions to transfer the cash funds from the LCD account to the LCD participants' accounts based on the calculated net positions.

Where by 14.45 on the S day the LCD instructions have been executed, LCD transfers the financial instruments that have been blocked based on the calculated net positions, and send settlement confirmations on a trade-by-trade basis to all concerned account managers including EVK and LCVPD.

### 3.5.3.2. Settlement by gross principle

Settlement by gross principle is applied to RSE trades with settlement date T+0 and settlement on Latvian Government Securities purchased at auctions on RSE.

#### **RSE Trades with T+0 settlement**

- **Trade information**

To settle a RSE trade on a real-time basis (T+0), RSE sends trade information to LCD immediately after the trade is concluded, however no later than S 16:30.

The account managers that are responsible for T+0 trade settlement are obliged to provide the necessary quantity of securities on the seller's correspondent account at LCD and the necessary amount of funds in the buyer's cash account at the T2LV for settlement no later than the execution of the trade at RSE.

- **Trade confirmation**

After the receipt of the trade information from the RSE, the LCD immediately checks if the execution of the trade settlement requires any trade confirmation from the account managers - consent regarding securities settlement and/or funds settlement. If consent is required, LCD sends a confirmation request to the respective account manager/clearing agent. The investor should confirm the trade immediately, but no later than S 17:30.

The LCD participant has the right to reject the execution of the settlement until S 17:00 based on the same criteria as for settlement by net principle (See 3.5.3.1. *Settlement by net principle, Trade confirmations*).

- **Settlement**

Once all the required confirmations are received, but no later than S 17:30, the execution of DVP settlement commences.

Settlement for each transaction is executed separately (DVP Model 1). Securities transfer is linked to cash transfer on a trade-by-trade basis.

LCD checks the sufficiency of securities on the seller's account manager's account and blocks the required securities. LCD by 17.30 on the S day the latest submits to T2LV direct debit instruction to transfer the cash funds to the LCD account from the LCD participant's cash account who is the cash settlement agent according to the received settlement instructions.

If the direct debit instruction has been executed by 17:45 on the S day, LCD by 18:00 submits to T2LV an instruction to transfer the cash funds from the LCD account to the LCD participant's cash account that, according to the received settlement instructions, has been indicated as the cash settlement agent for the seller of financial instruments.

If the LCD instructions have been executed by 18:15 on the S day in T2LV, LCD transfers the blocked financial instruments and sends a confirmation of the settled trades to the account manager.

- **Postponement**

If there are insufficient funds for settlement on the buyer's account manager's correspondent account and LCD cash debit instruction have not been executed in T2LV by 17:45 on the S day, LCD immediately informs RSE and the account manager about the insufficiency of funds and moves the settlement to next day settlement. Both the RSE and the account manager are notified about the postponed settlements.

### **Settlement of RSE auction trade on Latvian Government Securities**

On the date of initial placement of Latvian Government Securities, RSE forwards the settlement orders to LCD.

By 16:00 on S-1, the account manager confirms settlement in response to the LCD's confirmation request. If LCD fails to receive the confirmation the obligations to settle the trade will be transferred to the RSE trading member who concluded it.

By 17:00 on S-1, the cash clearing agent submits confirmation of the maximum amount of cash which can be used for each separate order, if required.

On the S day by 9:30 LCD makes settlements for each settlement order separately (on gross basis) and executes settlement orders in the order of their submission (on FIFO basis). LCD blocks the required amount of securities on the account of unplaced securities separately for each settlement order and submits to T2LV a direct debit instruction to transfer funds from the LCD participant's account to the LCD account.

If by 9:45 on the S day the direct debit instruction submitted has been executed, LCD by 10:00 on the S day the latest, submits an instruction to T2LV to transfer the funds from the LCD account to the Treasury account. On receipt of confirmation about executed cash settlement for each separate order, LCD immediately transfers the blocked securities to the respective account manager and forwards settlement confirmations to the account manager, the Treasury and the RSE.

### **3.5.4. Default handling**

Instructions executed on the stock exchange become binding immediately after registration of the trade. The principles of handling trading member or account manager default in settlement of stock exchange trades are described in provisions of the Nasdaq Riga "Rules on Cash Clearing and Financial Instrument Settlement". The RSE runs a Guarantee Fund that can be enacted in the case of cash default. In the case of trade default, the defaulting member will also be subject to penalty fees imposed by RSE.

## **3.6. Settlement of OTC DVP transactions**

### **3.6.1. Trade and settlement currency**

The settlement of OTC-DVP transactions can be executed in euro (EUR), US dollars (USD) and Russian Ruble (RUB) currencies.

### **3.6.2. Settlement period**

The counterparties of OTC trade can choose any settlement period from T+0 (in real time) to T+360. The account manager shall state a specific settlement date by submitting a DVP settlement instruction to LCD. Settlement of OTC DVP is executed from 08:00 to 19:00 on each business day.

### 3.6.3. Instructions and confirmations

The account manager shall provide a unique reference for each DVP transaction, which is used for further identification in the LCD securities settlement system.

Once the seller and buyer have agreed on an OTC market DVP transaction, their account managers submit DVP instruction to LCD in order to initiate the settlement of the trades. The DVP instruction can also be submitted by LCD participant with whom neither the seller nor the buyer has opened securities account.

To facilitate settlement in a timely manner, the instruction can be submitted by one of the transaction parties while the other party submits its instruction as a reply to the LCD's request for a matching instruction. LCD will verify and review whether the account manager or cash clearing agent's confirmations are required before the settlement. Once the instructions have been received LCD matches them and sends the settlement status information to the parties involved in the transaction.

LCD verifies the following matching criteria in the DVP instructions:

- counterparties involved in the settlement
- ISIN code
- settlement quantity
- settlement amount
- settlement currency
- trade date
- intended settlement date

### 3.6.4. Settlement of EUR OTC DVP transactions

On S, once the transactions are matched, LCD immediately checks the availability of securities on the seller's account manager's account at LCD. If there is a sufficient quantity of securities for settlement, LCD blocks securities and submits to T2LV system an instruction to transfer funds from the LCD participant's account with whom the buyer has opened a financial instruments account to the LCD account. If the funds are sufficient and direct debit instruction is executed, LCD submits to T2LV an instruction to transfer funds from LCD account to the LCD participant's account with whom the seller has opened a financial instruments account. LCD transfers the blocked financial instruments as soon as debit and credit instructions are executed and informs the counterparties of the execution of settlement.

LCD will not execute the settlement of the transaction if there is an insufficient quantity of securities or cash on the account manager's account.

Cut-off times on S for EUR OTC DVP settlement:

<b>Deadline</b>	<b>Activities</b>
16:30	DVP instructions and confirmations for securities settlement are submitted to LCD
17:30	Confirmations for cash settlement are submitted by clearing agent (if necessary)
17:30	The LCD submits a direct debit instruction to T2LV to transfer funds from the LCD participant's account with whom the buyer has opened a financial instruments account to the LCD account
18:00	The LCD submits to T2LV an instruction to transfer funds from the LCD account to that LCD participant's cash account with whom the seller has opened a financial instruments account
19:00	The LCD sends a confirmation on execution of OTC DVP settlement

### **3.6.5. Failure of settlement**

The settlement of OTC DVP transactions becomes binding after the start of settlement process (counterparties have sufficient securities and cash balance to settle the transaction). If counterparties have not provided sufficient securities and/or cash balance by the end of the settlement day, the instructions are not considered to be binding. There are no penalties in case of default of OTC transactions.

### **3.7. Settlement of DVP transactions in foreign currencies**

LCD can ensure DVP settlement of transactions both by net and gross principle in cases where related cash settlements are to take place in foreign currencies: USD or RUB (RUB for OTC DVP trades only). For DVP settlement in USD currency LCD has opened a correspondent cash accounts with Deutsche Bank Trust Company Americas, for DVP settlement in RUB currency LCD has opened a cash account with Rietumu Banka JSC.

An account manager that wishes to perform DVP settlement in a foreign currency shall provide LCD with their foreign currency account details.

On S, the account manager of the buyer shall ensure that the necessary amount of cash is transferred to the LCD correspondent cash account before the start of settlement process. Once account has been credited with the cash, LCD receives confirmation of the credited amount from the correspondent bank. If the received value of cash is sufficient to settle monetary obligations for the transactions LCD starts the settlement process according to the principles described above (Settlement by net principle, Settlement by gross principle).

Calculations of cash and securities net positions are made separately for each currency.

### **3.8. Free-of-payment transfers**

Free-of-payment (FOP) transfers are settled on a gross basis in real time. The FOP order can be submitted and executed throughout the LCD's SSS operating hours, i.e. each business day from 08:00 to 19:00.

LCD shall immediately execute a FOP transfer order on S once the receiver's account manager has confirmed the incoming transfer and that there is sufficient quantity of securities on the deliverer's account manager's account. Confirmation of receipt is not requested in cases where the deliverer and receiver of FOP are at the same account manager.

If LCD has not commenced the execution of the transfer order, the latter may be cancelled upon the initiative of either the deliverer or receiver by submitting a transfer cancellation order.

## **4. Market Practice for Securities Settlement in Lithuania**

### **4.1. Clearing and settlement organization**

Clearing and settlement is performed by the AB "Lietuvos centrinis vertybinių popierių depozitoriumas" (Central Securities Depository of Lithuania - hereinafter LCVPD).

LCVPD started its activities in 1993 as a subdivision of the AB "Nacionalinė vertybinių popierių birža" (NSEL) and became an independent institution - a non-profit company - on February 25, 1994. Currently, LCVPD is a public company. 100% of the capital is owned by NASDAQ Group (92% - NASDAQ Helsinki Oy and 8% - AB NASDAQ Vilnius).

The legal basis for the establishment and operation of the LCVPD is provided in the Civil Code, the Law on Markets in Financial Instruments, the Law on Securities, the Law on Companies, and the Law on Settlement Finality in Payment and Securities Settlement Systems as well as in appropriate regulations.

In compliance with ECB guidelines, the BoLT registered the Securities Settlement System (hereinafter SSS) on January 19, 2004, as a systemically important system, whereby official surveillance of the system commenced.

LCVPD operations are supervised and regulated by the Bank of Lithuania, the Supervision Service.

In Lithuania the omnibus account model is applied, however personal (investors') accounts are also permitted in certain circumstances.

The account manager (holder of an omnibus account) must be entitled to execute operations with securities, to open and manage own and clients personal accounts of securities.

The status of LCVPD participant can be awarded to the following institutions as specified in the Law on Settlement Finality in Payment and Securities Settlement Systems:

- the BoLT or a central bank of a state located in the European economic area or European Central Bank;
- a credit institution licensed in Lithuania or in a state located in the European economic area;
- a brokerage firm licensed in Lithuania or in a state located in the European economic area;
- a state institution or company the liabilities of which are guaranteed by the state;
- any legal entity which is located outside the European economic area and the activity of which is typical of credit institution or brokerage firm licensed in a state located in the European economic area.

The participants of the LCVPD SSS must also be participants of the LITAS system (managed by the BoLT) and TARGET2 payment system (managed by the ECB) for Euro related settlements.

Regulated market operators (stock exchanges) and foreign central or international securities depositories may act as SSS participants without being participants of the LITAS-RLS or TARGET2 payment systems.

### **4.2. Applicable laws, rules and regulations**

The rights and obligations of LCVPD and their participants are governed by laws on three different levels:

I. Main legal acts:

- Law on Markets in Financial Instruments;
- Law on Securities;
- Law on Settlement Finality in Payment and Securities Settlement Systems;
- Rules on the Securities Settlement System of the LCVPD, approved by its Board;
- Agreements between the LCVPD and its participants;

II. The duties and rights of the LCVPD are also described in:

- The Accounting Rules for Financial Instruments and their Circulation;
- The Rules on Settlement of Securities Transactions Concluded on the Stock Exchange NASDAQ Vilnius (approved by the AB NASDAQ Vilnius and LCVPD);
- the Rules on the Issuance and Trading of Government Securities of the Republic of Lithuania;

### III. Instructions approved by the Board of the LCVPD:

- Securities Transfer Rules;
- Securities Accounting Instruction;
- The Procedure for the Determination and Payment of the Fees of the LCVPD.

The securities clearing and settlement process is covered by statutory provisions set out in the relevant Lithuanian laws, decisions of the BoLT, the rules of the LCVPD and the decisions issued hereunder. The member firms of the AB NASDAQ Vilnius and account managers of the LCVPD are bound by these laws, rules and decisions in their relations with LCVPD and towards each other. More information can be obtained on the following websites:

- <http://www.LCVPD.lt/en/legal/depos.php> (Legal basis > Depository)
- <http://www.nasdaqomxbaltic.com/en/products-services/rules-and-regulations/nasdaq-omx-vilnius/> (Rules and regulations of the AB NASDAQ Vilnius)

### 4.3. Operating hours and public holidays

Any reference to time in this section of the document is Lithuanian time, which is CET+1.

The business hours of the LCVPD are 08:00 to 17:00, Monday – Friday. LCVPD as office does not operate during public holidays and non-business days.

The operating hours of the help desk are 08:00 to 18:00, Monday - Friday.

The operating hours of the SSS are 08:00 to 20:00, Monday - Friday.

The business days (operational calendar), public holidays and time schedule of the SSS are harmonized with the business days and time schedule of the Bank of Lithuania's SEPA- MMS payment system and the European Central Bank's (ECB) administered payment system TARGET2.

The following is the list of public holidays, non-business days and days with limited operations for LCVPD as a Securities Settlement System in Lithuania for 2017:

Weekday	Date	Public holidays	SSS non-business days and days with limited operations
Thursday	16.02.2017	Day of Re-Establishment of the State	System's Business day
Friday	14.04.2017	Good Friday	System's Business day All settlement operations will be executed <b>excluding</b> the DVP in <b>euro</b>
Monday	17.04.2017	Easter Monday	System's non-business day
Monday	01.05.2017	International Labour Day	System's non-Business day
Thursday	06.07.2017	Statehood Day	System's Business day
Tuesday	15.08.2017	Assumption day	System's Business day
Wednesday	01.11.2017	All Saint's Day	System's Business day
Monday	25.12.2017	Christmas holiday	System's non-business day
Tuesday	26.12.2017	Christmas holiday	System's non-business day

### 4.4. Clearing agents

A clearing agent is a LCVPD participant (brokerage firm or bank) that provides cash clearing services for domestic and cross-border stock exchange trades and OTC DVP transfers to account managers, account operators and trading members that do not have access to the payment systems managed by the Bank of Lithuania and ECB.

The obligations of a clearing agent services provider are as follows:

- It must be a licensed credit institution or brokerage company;
- It must have a correspondent account in the local central bank;
- It must/could have a correspondent relationship with commercial banks settling in other Baltic central banks;
- It must have an agreement with an account operator/account manager/trading member that has no access to central bank cash clearing and settlement system;
- It must give its confirmation (or rejection) of positions to be settled in the relevant central bank;
- It must/could make necessary currency conversions.

LCVPD participants that are securities account managers can also be cash clearing agents.

## ***4.5. Clearing and settlement of Nasdaq Vilnius trades***

### **4.5.1. Settlement cycle**

The default settlement cycle of AB NASDAQ Vilnius trades is T+2. The settlement cycle for automatically matched (automatched) trades in Government debt securities is T+1. Trade counterparties can agree on different cycle (T+1 - T+6) for manual trades. Settlement time schedule is provided in Appendix No 2.

### **4.5.2. Trading and settlement currency**

The main trading currency on AB NASDAQ Vilnius is euro (EUR).

In case of Special Procedures as described in Membership and Trading Rules of NASDAQ OMX Vilnius, other currencies may also be used.

In cases where a financial instrument is denominated in other currencies than EUR, the settlement amount is recalculated to the settlement sum in EUR by LCVPD, applying the exchange rate between the EUR and the other currency established by the Bank of Lithuania and effective on the transaction day.

### **4.5.3. Generation of AB NASDAQ Vilnius trade information for settlement**

After a VSE trade is executed in the INET trading system, it is immediately transferred from INET via the Traxess database (an intermediary database used for collecting trading results from Baltic stock exchanges) to CSDL's clearing and settlement system. VSE trades concluded by Latvian or Estonian trading members are routed to the respective CSD by CSDL and disclosed by the Latvian and Estonian CSDs to their participants online on the Trade Date (T). LCVPD acts as an Issuer CSD and the Latvian and Estonian CSDs act as Investor CSDs for VSE trades.

### **4.5.4. Cancellation of AB NASDAQ Vilnius trades**

Manual and automatched transactions cancelled by mutual agreement of the trading parties are cancelled through AB NASDAQ Vilnius, with the exception of the transactions related to the initial public offering of shares, public sale of shares and tender offers. Both parties intending to terminate the concluded trade must present their cancellation instructions in writing to the AB NASDAQ Vilnius by 10:00. The AB NASDAQ Vilnius enters cancellations into the securities settlement system via a non-public Internet website - Participants' Secure Information Site (hereinafter WebPS) until 11:00. Any transaction, even a confirmed one, can be cancelled. Information related to the cancelled transactions is transferred to the LCD or the EVK by the LCVPD via LinkGW.

### **4.5.5. Trades enrichments**

All AB NASDAQ Vilnius trades entered into the securities settlement system have to be enriched. Trade enrichment consists of the following:

A letter code assigned to the settlement system is specified in the first position of the field „Clearing Firm“:

- “V” – settlement place – AB Lietuvos centrinis vertybinių popierių depozitoriumas;
- “R” – settlement place – AS Latvijas Centrālais depozitārijs;
- “T” – settlement place - AS Eesti Väärtpaberikeskus

The second, third and fourth digits of the code of the LCVPD Participant involved in the settlement are specified in the second-fourth field positions.

An investor category letter code is specified in the first position of the field „Clearing Account“:

- “C” – Client (In Lithuania corresponds to type of activity 11 and nature of account 02),
- “O” – Own Account (In Lithuania corresponds to type of activity 21 and nature of account 02),
- “M” – Market Maker (In Lithuania corresponds to type of activity 26 and nature of account 02),
- “I” – Issuer Holding (In Lithuania corresponds to type of activity 07 and nature of account 09 or 10);

Requisites of the financial instrument account (the client personal financial instrument account number, assigned in the internal accounting of the account manager) are specified in the second - twelfth field positions.

Trades can be enriched by trade members by entering one-off settlement conditions into the trading system with orders/trades or they will automatically be enriched with standard settlement conditions for one individual transaction by the securities settlement system. The following principles are applied:

- a trade is accepted if it contains enough information for settlement and is technically correct;
- if the trade contains enough information for settlement but is technically incorrect, the trade will be enriched with the values of the default account manager and clearing agent, stated in the trading member’s standard settlement conditions, taking into account whether it is trading member's own trade or a client's trade;
- if the trade does not contain enough information for settlement, the trade will be enriched with values of default account manager and clearing agent, taking into account whether it is trading member's own trade or client's trade;
- if the trade information passes technical validation and the settlement place is LCD/EVK, the trade will be enriched using LCD/EVK nominee accounts.

#### **4.5.6. Change of settlement date**

The trading member can change the settlement date for manual trades until S 10:00 by submitting the relevant application to AB NASDAQ Vilnius. Change of the settlement date of automatched trades is not permitted. AB NASDAQ Vilnius enters amendments into the securities settlement system via WebPS until S 11:00. The earliest possible new settlement date is T+1. Settlement of manual trades can be postponed until S+2.

#### **4.5.7. Change of settlement conditions**

The account manager can change the specified settlement conditions (the place of securities custody, requisites of the general securities accounts of the securities custodian with the LCVPD, client code in accounting records of the securities custodian) until S 11:00, and the clearing agent can change its code in the settlement conditions to the code of another clearing agent.

The LCD account manager and the EVK account operator can change the terms and conditions of settlements. A change of the settlement place from LCD or EVK to LCVPD can be realised by changing the code of the settlement place (must be “LCVPD”) and the omnibus account of the securities custody in LCVPD system. After this information is received from LinkGW, the settlement system will cancel it from LinkGW and present it to the securities custody for confirmation.

A rejection can only be made in case of incorrect settlement conditions when the settlement system isn’t able to perform the settlement.

#### **4.5.8. Confirmations of settlement movements**

On the basis of the enriched trade results the securities settlement system generates settlement entries. Information on settlement entries is sent for further confirmation to the designated LCVPD account manager and clearing agent and to the Latvian account manager and Estonian account operator via the LCD and EVK systems. The account manager and clearing agent must confirm their agreement to settle or reject to settle

according to all settlement entries related to them until S 11:00. The unconfirmed by the time settlement movements may be confirmed by 3:45 p.m. on S day and settled by applying real time procedure. The confirmation of the settlement movement, where at least one of the counterparties is Estonian central depository or Latvian central depository as account manager, must be performed by 11 a.m. on S day.

If the specified account manager and the clearing agent do not confirm a particular settlement (entry) movement generated on the transaction basis during the specified time, the securities settlement system modifies the settlement entry by changing the settlement information indicated by trading member to the default information provided in the trading member's standard settlement conditions and transfers information on the settlement movement to the default account manager and clearing agent for confirmation. If after such enrichments the EVK account operator or the LCD account manager is involved, LCVPD informs EVK or LCD through the LinkGW database. EVK (or LCD) immediately sends trade settlement details and a confirmation request to the EVK account operator (or the LCD account manager). If confirmations are not received by the S 11:00 deadline, the obligation to settle the trades will be passed on to the trading member's default account manager and clearing agent that have concluded the trade; the respective information is sent to the trading member's default account manager and clearing agent.

EVK/LCD is required to calculate securities net positions until S 11:00. This is done to verify and inform LCVPD if there are sufficient securities on the accounts of the EVK account operators and the LCD account managers.

#### **4.5.9. Pre-settlement activities**

Each day, after the close of the settlement day (about 18:00 day S-1) and before settlement processes on day S (at 11 a.m.), LCVPD provides the local account manager and the clearing agent, via the WebPS, with information on:

- aggregate settlement positions in securities and in cash with respect to all automatched trades and manual trades concluded on the AB NASDAQ Vilnius, provided separately by every omnibus securities account. Cash positions are provided on a net basis for settlement movements that are intended to be settled in a batch process (manual trades one settlement party of which is a foreign account manager/account operator are included in the batch process);
- aggregate settlement positions in securities and in cash of the settlement movements pertaining to transactions of every special procedure (government securities' corporate actions, tender offer, public sale of shares and public offering of a share issue), given by an individual number assigned by the LCVPD SSS (this number is generated according to the seller's or buyer's order number in the trading system of AB NASDAQ Vilnius) to every special procedure are provided separately by every omnibus securities account.

Processing of settlement movements generated by automatched transactions is 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 is applied. In the case where settlement movements were not confirmed by 11 a.m. on S day (the initial confirmation time), but were confirmed by 3.45 p.m. on S day, the real time gross settlement procedure is applied to their accounting.

Having confirmed the settlement movements of automatched 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 in the settlement accounts within the payment systems before the execution of the settlement movements begins.

At S 13:00, LCVPD verifies the net positions of securities in the omnibus accounts of the LCVPD account managers for automatched trades and also checks up whether the quantity of securities is sufficient in the EVK and LCD accounts in the LCVPD system for automatched and manual trades:

- if the quantity of securities is sufficient, they are blocked;

- if the quantity of securities is insufficient, LCVPD selects the trades for which settlement is possible. The selection is done on a best-effort basis and the maximum settlement execution principle is applied. Trades for which there is an insufficient quantity of securities will be postponed and settled on the next possible settlement day; all concerned parties will be informed about trades for which settlement has been postponed.

#### **4.5.10. Cash and securities settlement in TARGET2**

Cash settlement in EUR is performed via TARGET2 (T2) using the interfaced settlement model (procedure 6). The LCVPD has the status of an ancillary system in TARGET2. The settlement party (bank or brokerage company) responsible for cash settlement has to transfer the amount of cash necessary for the settlement to its own sub-account dedicated to operations with LCVPD as an ancillary system.

The LCVPD SSS blocks the amount of securities required for settlements in the securities account of the participants. Then, the SSS submits the payment orders to the single technical platform of the payment system TARGET2 indicating the amount of funds to be transferred among accounts of the participants according to the settlement procedure 6 for ancillary systems. Upon receiving a notification from the payment system TARGET2 on the transfer of funds, the CSD immediately transfers securities among the securities accounts of the participants.

If the cash amount is insufficient in any of the cash accounts, LCVPD immediately suspends settlement movements of the participants with a cash deficiency. And, in order to have the least impact on settlements, it selects the non-executable settlement movements, recalculates the aggregate settlement positions of each participant in securities and cash (in such a case the aggregate settlement positions of the clearing agent in securities cannot exceed the quantity of the traded securities, whereas the ones in cash cannot exceed the sum blocked in the settlement account of the clearing agent) and sends payment document to TARGET2.

Upon concluding the settlement LCVPD sends settlement confirmation to all the parties concerned including LCD/EVK. According to this confirmation, LCD/EVK makes respective securities transfers in Latvia/Estonia.

#### **4.5.11. Default handling**

In order to guarantee the execution of the transaction, the AB NASDAQ Vilnius has the right to impose sanctions on its members. The default measures are stipulated in the VSE rules and regulations, including the submission of special orders to LCVPD, buying or selling securities, usage of the AB NASDAQ Vilnius Guarantee Fund etc. These default measures can be imposed in cases where the AB NASDAQ Vilnius trading member has not provided the trade enrichments necessary for the execution of VSE trades or the trade cannot be settled for some other reason.

### **4.6. Settlement of OTC DVP transactions**

#### **4.6.1. Currencies**

The settlement currency for OTC DVP may be the Euro (EUR).

#### **4.6.2. Instructions**

Matching criteria for OTC-DVP transactions are as follows:

- ISIN
- Quantity
- Currency
- Securities quantity
- Instructing party
- Counterparty
- Trade date
- Intended settlement date (or time)

- Trade type

Once the seller and the buyer have agreed on an OTC DVP transaction, their account managers must send the respective securities transfer instructions to LCVPD. In case a securities custodian and cash custodian are different participants, LCVPD sends a message to the cash custodian requesting its consent to settle cash obligations. In case a securities custodian and cash custodian is one and the same participant, the request confirmation message is not sent. The initiation of a securities transfer by a participant is considered also to be his agreement to make a cash transfer.

If the settlement movement is confirmed and securities requested are available on the seller's account, the securities required for settlement will be blocked by LCVPD and the defined payment order to transfer cash between the settlement accounts specified in the settlement movement will be immediately provided to the payment system.

Having obtained a message from the payment system on the successful cash transfer between the specified settlement accounts, the SSS operator immediately executes the transfer of the earlier blocked securities between the accounts specified in the settlement movement, thus finishing the DVP settlement.

#### **4.6.3. Real-time gross settlement**

A real-time gross settlement system is implemented in Lithuania, making trading with a T+0 settlement cycle possible. LCVPD performs OTC DVP trade settlement from 08:05 to 17:30 in Euro.

#### **4.6.4. Cash settlement in TARGET2**

Cash settlement of OTC DVP trades is based on claims and obligations calculated by the LCVPD during the pre-settlement process.

LCVPD sends payment orders to the TARGET2. Settlement of gross monetary claims and obligations takes place in the TARGET2 payment system by debiting and crediting the clearing agents' settlement accounts dedicated for the LCVPD SSS. The settlement of OTC DVP transactions is final after cash settlement in the TARGET2 payment system.

LCVPD uses the settlement procedure 6 interfaced model based on setting aside the needed liquidity on a specific sub-account of the participants. Settlement with dedicated liquidity is operated in so-called "procedures" identified by specific "start of procedure" and "end of procedure" messages.

With the "start of procedure message" the liquidity is therefore transferred from the settlement banks' RTGS accounts to the sub-accounts. With the "end of procedure message" the remaining liquidity on the sub-accounts is transferred back to the settlement banks' RTGS accounts. Within a procedure several cycles could run consecutively. During the settlement cycle the dedicated liquidity is consequently blocked. The payments orders received by TARGET2 during this cycle to transfer liquidity from the RTGS account to a specific sub-account are immediately executed.

#### **4.6.5. Securities settlement**

After TARGET2 have sent the confirmation regarding the settlement of monetary obligations to the LCVPD, respective securities transfers will be made.

#### **4.6.6. Failure of settlement**

In the case of OTC DVP transactions, the execution of the transfer instructions is not guaranteed. If one of the transaction parties has not submitted the transfer instruction via his or her account manager, or the submitted transfer instruction cannot be processed for some other reason, for example the relevant securities or cash are not available on the accounts to be debited, the transfer will not be executed.

#### ***4.7. Free-of-payment transactions***

Free-of-payment transfers are settled online and can be submitted till 17.45 and executed till 18.00.

In case of FOP transfers, cash payments are not controlled by the LCVPD. The transfer from seller to buyer takes place promptly after the buyer's account manager has confirmed the incoming transfer instruction and LCVPD has checked whether the securities requested are available on the securities account to be debited.

Unexecuted FOP transfers on the settlement day will be cancelled or rejected (it depends on who initiated the FOP transfer) by the system at the end of the settlement day.

## **5. Cross-border settlement between Baltic States**

To facilitate pan-Baltic cross-border trading EVK, LCD and LCVPD have established a pan Baltic FOP link for cross-border deliveries and a DVP link for stock exchange and OTC DVP transactions. Information exchange between the depositories is carried out through a common database – LinkGW.

### **5.1. Link for cross-border stock exchanges trades**

Stock exchange trades are made by trading members that have cross membership in the relevant stock exchange. Every trade contains information about the settlement place, i.e. in what depository it will be settled. The relevant stock exchange's Issuer CSD distributes trades to the Investor CSD.

Trading members trading cross-border have two solutions for clearing and settlement:

- They may maintain an account in all three CSDs.
  - o In this case all clearing and settlement procedures will take place according to local rules.
- They may maintain an account in one CSD only provided that the member firm has signed a cross-border settlement agreement with a clearing agent.
  - o In this case relevant cross-border clearing and settlement procedures apply.
  - o Cross-border cash settlement takes place in the national central bank of the relevant stock exchange. The clearing agent provides cash for settlement through the commercial banking system.
  - o Cross border securities settlement takes place in two steps:
    - Step 1 - Securities are transferred to/from the Issuer CSD's omnibus account after receiving a message about successful cash settlement from the national central bank.
    - Step 2 – Securities transfers are made in the Investor CSD.

The Baltic SEs and CSDs have harmonized the time schedule of transactions agreed on Baltic stock exchanges, which is given in Appendix 2.

### **5.2. Link for cross-border OTC DVP transactions**

#### **5.2.1. Eligible transactions**

Eligible cross-border OTC DVP transactions are off-exchange agreed transactions that settle on a delivery versus payment basis, where one of the counterparties or both counterparties are located outside of the applicable security's Issuer CSD.

Baltic Link solution supports pan-Baltic transactions in the following currencies:

- in case of Lithuanian securities (ISIN LTXXXXXXXX) – EUR
- in case of Latvian securities (ISIN LVXXXXXXXX) – EUR
  - o USD if supported by the local cash clearing agent
- in case of Estonian securities (ISIN EEXXXXXXXXX) – EUR

Baltic Link solution does not support pan-Baltic transactions agreed in other currencies or in other combinations as described above.

#### **5.2.2. Main principles of settlement**

All cross-border OTC DVP transactions settle on a gross-basis (trade by trade) (DVP Model 1).

The ECSDA's Issuer CSD model is applied, according to which the Issuer CSD is responsible for organizing the final settlement of securities and the cash leg of the transaction (Central Bank funds).

### **5.2.3. Settlement process**

Same day value cross-border OTC DVP transaction orders can be submitted to EVK, LCD and LCVPD system from 08:00. Transaction orders can be submitted and confirmed until S 17:00.

The cash clearing agent should give its confirmation (or rejection) of the cash leg:

- By S 17:30 for Latvian securities
- By S 17:00 for Estonian securities
- By S 17:30 for Lithuanian securities

The Baltic CSDs exchange information on status (matched, confirmed, settled) of the transactions online. The confirmations of settled cross-border OTC DVP transactions are exchanged by S 18:00 at the latest.

At 18:00 on S, the Baltic CSDs unilaterally cancel all unexecuted cross border OTC DVP transactions for which the designated settlement date has expired.

### **5.2.4. Cancellation of a cross-border OTC DVP transaction**

Counterparties can only cancel a cross-border OTC DVP transaction until the start of the settlement process. A party who wishes to cancel the instruction should send its instructions to the relevant CSD.

### **5.2.5. Matching criteria and mandatory information**

The following information shall be provided for matching and execution of settlement

- Intended settlement date
- Cash amount including currency
- Securities quantity
- ISIN
- Inserting party
- Inserting party's BIC code
- Client's securities account number
- Money account number (IBAN in issuer CSD country)
- Counterparty
  - o If counterparty is LCD or LCVPD, then counterparty's BIC and omnibus account number must be provided
  - o If counterparty is EVK, then counterparty's BIC or counterparty's securities account number must be provided
- Cash clearing agent (in case the account operator/account manager settles cross-border)
  - o BIC code of the clearing agent and BIC code of the instructing account operator/account manager, which has a valid cash clearing agreement with the entity acting as the clearing agent.

### **5.2.6. Information on cash clearing**

The clearing agent is informed of the instruction immediately after matching has taken place in the Issuer CSD and the settlement process has started. A confirmation to proceed with the settlement process is requested.

## **5.3. FOP link**

FOP transfers between EVK, LCD and LCVPD are possible from 09:00 to 18:00. Instructions from local account operators/account managers are accepted until 17:30 on all days that simultaneously are business days for EVK, LCD and LCVPD.

In addition to local FOP transfer criteria, cross-border FOP transfer instructions must include information about the counterparty's account in the foreign depository.

## **6. Links with other international institutions**

### **6.1. FOP link between EVK and KDPW**

It is possible to make cross-border FOP transfers between EVK and the Polish CSD (KDPW) starting from July 2007. Link between EVK and KDPW enables transfers of those Estonian securities that have been declared valid for transfer by both depositories, EVK and KDPW. According to the agreement, the corporate actions shall be carried out according to the Estonian law, issuers' instructions and procedures adopted by EVK.

Same day value FOP transfers between EVK and KDPW are accepted from 08:00 to 17:30 and are executed until 18:00.

### **6.2. FOP link between LCD and the BoLV VNS securities settlement system**

The Bank of Latvia (BoLV) and LCD have established a bilateral correspondent relationship agreement to transfer securities from the BoLV's VNS securities settlement system to the LCD's DENOS system and vice versa. VNS is a securities settlement system operated by the BoLV that ensures the recording of collateral securities related with the BoLV monetary and intraday credit operations as well as the recording of other securities (Latvian Government debt securities and corporate debt securities, which are accepted as collateral by the BoLV in monetary policy operations). The SWIFT net communication network is used in data exchange between the BoLV and the LCD.

FOP transfers between VNS and DENOS are executed from 08:00 to 19:00. Transfer instructions from account managers are accepted until 18:30.

### **6.3. FOP and DVP Link between LCD and Clearstream Banking Luxembourg**

In May 2011 LCD has opened a securities account within the Clearstream Banking Luxembourg (CBL). Pursuant to the mutual agreement with CBL, LCD can perform FOP and DVP transfers to/from CBL allowing Latvian investors to keep CBL accepted securities in securities accounts in Latvia through LCD accounting system.

The DVP settlements are possible for all settlement currencies eligible in CBL.

- **Securities transfers to CBL**

An account manager can submit FOP/DVP instruction indicating the place of settlement until S-1 13:00, indicating for example the Euroclear securities settlement system or Clearstream securities settlement system. Once the transfer instruction is received LCD submits it to CBL.

On S, upon receipt of settlement confirmation from CBL, LCD enters the confirmation in its securities settlement system and sends the relevant confirmation message to the account manager. On S, upon receipt of cash, LCD transfers the cash to the account manager.

If the CBL settlement confirmation has not been received by S 18:00, LCD postpones instruction to the next settlement day and informs the account manager. When confirmation from CBL is received, LCD informs the account manager.

- **Securities transfer from CBL**

Until S 13:00, account manager can instruct LCD to receive securities from CBL to LCD. In case of DVP instruction CBL's cash account in favour of LCD has to be credited until S 13:00. Then LCD submits the instruction to CBL.

Until S 18:00, or on the effective S and upon receiving CBL confirmation on the execution of the transaction, LCD enters the transaction in its securities settlement system and notifies the account manager of the execution of the transfer.

#### **6.4. FOP Link between LCD and KDPW**

It is possible to make cross-border FOP transfers between LCD and the Krajowy Depozyt Papierów Wartościowych S.A. (KDPW) starting from May 2012. Link between LCD and KDPW enables transfers of those Latvian securities that have been declared valid for transfer by both depositories, LCD and KDPW.

Same day value FOP transfers between LCD and KDPW are accepted from 09:00 to 17:30 and are executed until 18:00.

#### **6.5. FOP and DVP Link between LCVPD and Clearstream Banking Luxembourg**

The Central Securities Depository of Lithuania has opened an omnibus account for securities and cash in Clearstream Banking Luxembourg (CBL).

All intermediaries of public trading and securities account managers are offered to use this account:

- for custody and transfer of traded foreign securities eligible in CBL system;
- for custody and transfer of cash, related to foreign securities transactions, in all currencies eligible in CBL system.

FOP and DVP transfers of securities and related cash are available.

Deadlines for internal and Bridge securities transactions are standard for all securities.

The times below show the input deadlines for:

- Internal transactions (those between two Clearstream Banking customers) - till S 18:00 for both FOP and DVP;
- Bridge transactions (those between a Clearstream Banking customer and a counterparty in Euroclear Bank ) - till S 15:00 for both FOP and DVP.

Deadlines for Cash instructions:

- till S 16:30 for EUR;
- till S 18:00 for USD.

#### **6.6. FOP Link between LCVPD and KDPW**

The Lithuanian Central Securities Depository has opened a new direct settlement link with the Polish National Depository for Securities, Krajowy Depozyt Papierów Wartościowych S.A. (KDPW).

On 19 November 2010, LCVPD and KDPW signed an agreement on securities accounts handling and on cross border settlement of transactions in the Securities Settlement System (SSS) administered by LCVPD.

Deadline for FOP instruction – till 18:00.

## Appendices

### Appendix 1. Comparative table of settlement practices

	Estonia	Latvia	Lithuania
<b>System participants</b>	<ul style="list-style-type: none"> <li>TSE member firm (direct, remote)</li> <li>Account operator (EVK participant) that has cash account in TARGET2-Estonia (T2EE)</li> <li>Clearing agent (local, remote)</li> <li>LCD, LCVPD, KDPW</li> </ul>	<ul style="list-style-type: none"> <li>RSE</li> <li>Account manager (LCD participant) that has cash account in T2LV</li> <li>Account manager (LCD participant) that does not have cash account in T2LV (brokerage)</li> <li>BoLV</li> <li>The Treasury</li> <li>Clearstream Banking Luxembourg, LCVPD, EVK, KDPW</li> </ul>	<ul style="list-style-type: none"> <li>VSE member firm (direct, remote)</li> <li>Account manager (LCVPD participant) that has cash account in TARGET2</li> <li>Account manager (LCVPD participant) that does not have cash account in TARGET2 (brokerage)</li> <li>Clearing agent</li> <li>LCD, EVK</li> </ul>
<b>C&amp;S system</b>	Depend	DENOS	SSS (In-house developed)
<b>Main types of securities accounts</b>	<ul style="list-style-type: none"> <li>End-investors accounts</li> <li>Client accounts = Nominee accounts</li> </ul>	Omnibus accounts of account managers (2 level securities accounting system)	Omnibus accounts of account managers (2 level securities accounting system)
<b>C&amp;S operating days</b>	All T2EE operating days	All BoLV/T2LV operating days	All BoLT/T2 operating days
<b>Trade types</b>	SE trades: <ul style="list-style-type: none"> <li>TSE trades</li> <li>Cross-border SE trades</li> </ul> OTC trades: <ul style="list-style-type: none"> <li>OTC-DVP</li> <li>FOP</li> <li>Cross-border OTC-DVP</li> <li>Cross-border FOP</li> </ul>	SE trades: <ul style="list-style-type: none"> <li>RSE trades</li> <li>Cross-border SE trades</li> </ul> OTC trades: <ul style="list-style-type: none"> <li>OTC-DVP</li> <li>FOP</li> <li>Cross-border OTC-DVP</li> <li>Cross-border FOP</li> </ul>	SE trades: <ul style="list-style-type: none"> <li>VSE trades</li> <li>Cross-border SE trades</li> </ul> OTC trades: <ul style="list-style-type: none"> <li>OTC-DVP</li> <li>FOP</li> <li>Cross-border OTC-DVP</li> <li>Cross-border FOP</li> </ul>
<b>Settlement period</b>	TSE trades: <ul style="list-style-type: none"> <li>Automatch T+2</li> <li>Contract transaction T+1...T+6 (default T+2)</li> </ul> OTC-DVP trades: <ul style="list-style-type: none"> <li>T+0... T+...</li> </ul>	RSE trades: <ul style="list-style-type: none"> <li>Automatch T+2</li> <li>Contract transaction T+0...T+40 (default T+2)</li> <li>S for auction trades of initial placement of the Latvian Government securities is fixed by The Treasury (T+2)</li> </ul> OTC-DVP trades: <ul style="list-style-type: none"> <li>T+0...T+360</li> </ul>	VSE trades: <ul style="list-style-type: none"> <li>Automatch T+2</li> <li>Contract transaction T+0...T+6 (default T+2)</li> </ul> OTC-DVP trades: <ul style="list-style-type: none"> <li>T+0...T+360</li> </ul>
<b>DVP Model</b>	<ul style="list-style-type: none"> <li>TSE trades – DVP model 1</li> <li>OTC– DVP model 1</li> <li>Cross-border OTC-DVP – DVP model 1</li> </ul>	<ul style="list-style-type: none"> <li>RSE trades – DVP model 3</li> <li>OTC, RSE T+0, RSE auction trades of Latvian Government securities – DVP model 1</li> <li>Cross-border OTC-DVP – DVP model 1</li> </ul>	<ul style="list-style-type: none"> <li>VSE trades – DVP model 3</li> <li>OTC, SE T+0 – DVP model 1</li> <li>Cross-border OTC-DVP – DVP model 1</li> </ul>
<b>Trading currency</b>	EUR	EUR, USD (RUB – OTC DVP only)	EUR
<b>Settlement currency in central bank</b>	EUR	EUR	EUR
<b>Trades transfer</b>	TSE trades are transferred automatically online from the INET trading system to the Depend clearing and settlement system of EVK. If the trade's counterparty settles in a remote depository, the trade will be forwarded to that CSD on a trade-by-trade basis by EVK immediately.	RSE trades are transferred automatically online from the INET trading system to the DENOS clearing and settlement system of LCD. If the trade's counterparty settles in a remote depository, the trade will be forwarded on a trade-by-trade basis to that CSD by LCD immediately.	VSE trades are transferred automatically online and on a batch basis from the INET trading system to the securities settlement system of LCVPD . If the trade counterparty settles in a remote depository, the trade will be forwarded on a trade-by-trade basis to that CSD by LCVPD immediately
<b>Securities settlement</b>	Securities are settled on a trade-by-	Securities are settled on a trade-by-	Securities are settled on a trade-by-

	trade basis	trade basis	trade basis
<b>Cash settlement</b>	<p>Central bank funds</p> <ul style="list-style-type: none"> <li>TSE, OTC – trade-by-trade settlement with optimization batches is performed according to the integrated model in autonomous central bank money. Cross-border – cash settlement in the central bank is combined with the commercial bank funds</li> </ul>	<p>Central bank funds</p> <ul style="list-style-type: none"> <li>RSE – multilateral net settlement</li> <li>OTC DVP, RSE T+0 – RTGS settlement</li> <li>RSE Latvian Government securities auction trades DVP settlement</li> <li>Cross-border – cash settlement in the T2LV is combined with the commercial bank funds</li> </ul> <p>Commercial bank funds</p> <ul style="list-style-type: none"> <li>USD/RUB DVP settlement</li> </ul>	<p>Central bank funds</p> <ul style="list-style-type: none"> <li>VSE – multilateral net settlement</li> <li>VSE the Treasury securities auction trades</li> <li>RTGS settlement</li> <li>Cross-border – cash settlement in the central bank is combined with the commercial bank funds</li> </ul>
<b>Blocking of securities</b>	<ul style="list-style-type: none"> <li>TSE trades and local OTC in the pre-settlement process</li> <li>Cross-border OTC on the seller's side at moment of account operator's confirmation</li> </ul>	<ul style="list-style-type: none"> <li>RSE trades in the pre-settlement process before sending cash settlement instruction to T2LV (S 12:00)</li> <li>OTC DVP, RSE T+0 – before sending cash settlement instruction to T2LV</li> <li>RSE Latvian Government securities auction trades - before sending cash settlement orders to T2LV (S 9:00 - 9:30)</li> </ul>	<ul style="list-style-type: none"> <li>VSE trades in the pre-settlement process before sending cash settlement instruction to T2(starting from S 13:00)</li> <li>OTC DVP incl. cross-border trades on the seller's side at the moment of confirmation</li> </ul>
<b>RTGS</b>	<ul style="list-style-type: none"> <li>Cross-border OTC-DVP and FOP</li> </ul>	<ul style="list-style-type: none"> <li>SE T+0 trades</li> <li>Domestic and cross-border OTC-DVP</li> <li>Domestic and cross-border FOP</li> </ul>	<ul style="list-style-type: none"> <li>SE T+0 trades</li> <li>Cross-border OTC-DVP</li> <li>Domestic RTGS OTC-DVP</li> </ul>
<b>Same day turnaround</b>	Allowed	Allowed - once securities are book-entered in the account.	Allowed for OTC and VSE T+0
<b>Netting</b>	<ul style="list-style-type: none"> <li>Technical netting is applied</li> </ul>	Only RSE trades are netted	Only VSE trades are netted
<b>Initiator of FOP</b>	Both deliverer's and receiver's account managers can initiate a FOP transfer.	Both deliverer's and receiver's account managers can initiate a FOP transfer.	Both deliverer's and receiver's account managers can initiate a FOP transfer

## **Appendix 2. Timetable of settlement of transactions on Baltic stock exchanges**

Activity	TSE / EVK (Estonia)	RSE / LCD (Latvia)	AB NASDAQ OMX Vilnius / LCVPD (Lithuania)
Member CSD to disclose/send cross-border SE transaction info to account managers/account operators	Immediately on T (latest time possible 17:15)		
Issuer CSD to receive trade enrichments, or settlement instructions, or amendments of a trade settlement data from trading member regarding SE trades on the respective exchange	S 10:00		
Trading member/VSE sends trade settlement cancellations to issuer CSDs	S 10:00		S 11:00 (from AB NASDAQ OMX Vilnius)
Account manager/account operator sends settlement affirmations for both local and non-local Baltic trades to local CSDs	S 11:00		
Cash clearing agent informs issuer CSD of the maximum cash amount per trading member	Not applicable	S 11:00	S 11:00
Member CSD checks sufficiency of securities for non-local Baltic trades on account managers /account operators accounts (internal) – net positions per account are calculated - and blocks the securities on its accounts	S 11:00		
Member CSD sends settlement affirmations for non-local Baltic transactions to issuer CSD via LinkGW	S 11:05-11:10		
Issuer CSD to calculate preliminary securities and cash net positions for information purposes; information passed on to trading members/account managers/account operators	available continuously on-line	S 11:10-11:15	After S 11:10 on demand
Issuer CSD calculates final net securities and cash positions	Not applicable	S 12:00	Not applicable
Issuer CSD blocks securities on securities accounts	At the start of the batch processing	S 12:00	At the moment when the cash instruction is sent to ECB T2
Cash position confirmation from Cash Clearing Agent	Not applicable	Not applicable <i>(information S 11:00)</i>	Not applicable <i>(information S 11:00)</i>
Settlement process start time	S 09:00...16:00 batches every half an hour	S 12:00	S 13:00
Cash settlement in respective national Central Bank	Autonomous central bank money model is applied; S 09:00...16:00 batches every half an hour	S 12:00 -13:00 (in case of default S 13:30 – 14:30)	S 13:00 (in case of default max to 16:00)
Securities transfers in issuer CSD	Immediately after receipt of confirmation from EVK Liquidity Settlement Module	Immediately after receipt of confirmation from T2LV	Immediately after receipt of confirmation ECB T2
Settlement info to member CSDs	Immediately after settlement in EVK	Immediately after settlement in LCD	Immediately after settlement in LCVPD

### Appendix 3. Definitions and abbreviations

Abbreviation	Definition
Account manager	A legal entity that is a participant of the CSD and manages personal investors' securities accounts and provides different services to investors. In Lithuania all account managers have a correspondent cash account in the BoLT In Latvia there are two types of account managers: - that do not have a correspondent cash account in the T2LV; - that have a correspondent cash account in the T2LV.
Account operator	A legal entity that is a participant of the CSD and intermediates securities account services to investors. There are two types of account operators: - that do not have a correspondent cash account in the central bank; - that have a correspondent cash account in the central bank. Account operators solution is in Estonia.
Batch settlement	A settlement process running at pre-defined intervals and processing orders in a fixed sequence.
BoLT PS	Bank of Lithuania Payment System
BoLV	Bank of Latvia
ECB T2	European Central Bank TARGET2 payment system
Trading member (Broker firm, Exchange member firm)	A legal entity that has been granted the right to trade in the securities listed or traded on the exchange via the trading system of the exchange
Central bank funds	Money in the payment system of a National Central Bank (NCB)
Clearing agent	A credit institution that has a correspondent cash account in the National Central Bank or ECB T2 and offers clearing services to Exchange trading members and account operators/managers
CSD	Central Securities Depository
LCVPD	Central Securities Depository of Lithuania
DENOS	Securities settlement system operated by Latvian Central Depository
Depend	Clearing and settlement system of EVK
DVP	Delivery versus payment – simultaneous cash and securities settlement
EVK	Estonian Central Securities Depository, Eesti Väärtpaberikeskus
Exchange transaction	Trade that is routed from an electronic stock exchange to a CSD
FCMC	Financial and Capital Market Commission
Final transfer (settlement finality)	Irrevocable and unconditional change of ownership. In particular, a final transfer cannot be reversed by the insolvency of one of the parties that were involved in the transfer
FOP	Free-of-payment transfer
Foreign CSD	Used in the context of order routing, the foreign CSD is a CSD with no direct link to the electronic stock exchange from which the orders originate.
Gross settlement	Settlement in which settlement instructions are settled in separate bookings. The opposite is net settlement
Investor CSD	CSD in which investor or investor's account operator has opened securities account and which has a link with another CSD
Issuer CSD	CSD which is primary place of a securities book-entry and which has direct relationship with issuer
LCD	Latvian Central Depository, AS "Latvijas Centrālais depozitārijs"
Link	Link between EVK and a foreign central securities depository
LinkGW	Technical solution for transferring securities between EVK, LCD and LCVPD
Matching	Process that compares individual OTC trades and links them into pairs for later settlement
Net settlement	Settlement in which several settlement instructions are settled in a single booking. The opposite is gross settlement
OTC trades	Over-the-counter trades. In the context of this report trades that are not automatically routed from an electronic exchange to one or more CSDs
RSE	Nasdaq Riga, AS
S	Settlement day
SSS	Securities Settlement System
T	Trade day
Trading member	Brokerage company/ exchange member – a legal entity to whom the stock exchange has granted the right to trade with the securities listed or traded on the stock exchange via the trading system
Traxess	An intermediary database for gathering and distributing exchange trading information
TSE	Nasdaq Tallinn
T2EE	TARGET2-Estonia

T2LV	TARGET2-Latvija
VNS	The BoLV security settlement system that ensures security settlement for BoLV monetary policy operations and security transfers of the VNS participants
VSE	Nasdaq Vilnius

#### **Appendix 4. Account operators in Estonia**

<b>Name</b>	<b>Address</b>	<b>Phone</b>	<b>E-mail/ Internet</b>
AS Citadele banka	Smilšu iela 3, Rīga LV-1522	+371 7010000	info@citadele.lv www.citadele.lv
AS Eesti Krediidipank	Narva mnt. 4, Tallinn 15014	+372 6690900	info@krediidipank.ee www.krediidipank.ee
Swedbank AS	Liivalaia 8, Tallinn 15040	+372 6310310	info@swedbank.ee www.swedbank.ee
AS LHV Pank	Tartu mnt. 2, Tallinn 10145	+372 6800400	klienditugi@lhv.ee www.lhv.ee
Nordea Bank AB Eesti filiaal	Liivalaia 45, Tallinn 10145	+372 6283300	eesti@nordea.com www.nordea.ee
Danske Bank A/S Eesti filiaal	Narva mnt. 11, Tallinn 10502	+372 6800800	info@danskebank.ee www.danskebank.ee
Versobank AS	Pärnu mnt. 12, Tallinn 10148	+372 6802500	info@versobank.com www.versobank.com
AS SEB Pank	Tornimäe 2, Tallinn 15010	+372 6655100	info@seb.ee www.seb.ee
Tallinna Äripanga AS	Vana-Viru 7, Tallinn 10111	+372 6688000	info@tbb.ee www.tbb.ee

## Appendix 5. Account managers in Latvia

Name	Address	Phone	E-mail/ Internet
ABLV Bank AS	Elizabetes iela 23, Rīga, LV 1010	+371 67775222	info@ablv.com www.ablv.com
Baltic International Bank AS	Grēcinieku iela 6, Rīga, LV 1050	+371 67000444	info@bib.eu www.bib.eu
Baltikums Bank AS	Mazā Pils iela 13, Rīga, LV 1050	+371 67031311	info@baltikums.eu www.baltikums.eu
Citadele banka AS	Republikas laukums 2a, Rīga, LV 1010	+371 67010000	info@citadele.lv www.citadele.lv
Danske Bank AS filiāle Latvijā	Cēsu iela 31/8, Rīga, LV 1012	+371 67959599	info@danskebank.lv www.danskebank.lv
DNB Banka AS	Skanstes iela 12, Rīga, LV 1013	1880 or +371 67171880	info@dnb.lv www.dnb.lv
Meridian Trade Bank AS	Elizabetes iela 57, Rīga, LV 1050	+371 67019153	info@mtbank.eu www.mtbank.eu
Nordea Bank AB Latvijas filiāle	Kr. Valdemara iela 62, Rīga, LV 1013	+371 67096096	info@nordea.lv www.nordea.lv
NORVIK BANKA AS	E. Birznieka-Upīša iela 21, Rīga, LV 1011	+371 67041100	welcome@norvik.eu www.norvik.eu
Reģionālā investīciju banka AS	J. Alunāna iela 2, Rīga, LV 1010	+371 67359000	bank@ribbank.com www.ribbank.com
Renresource Capital IBS AS	Duntes iela 15a, Rīga, LV 1005	+371 67092737	info@renresource.com www.renresource.com
Rietumu banka AS	Vesetas iela 7, Rīga, LV 1013	+371 67025555	info@rietumu.lv www.rietumu.lv
SEB banka AS	"SEB finanšu centrs" Valdlauči, Meistaru iela 1, Ķekavas pagasts, Ķekavas novads, LV 1076	8777 or +371 26668777 +37167779988	info@seb.lv www.seb.lv
Swedbank AS	Balasta dambis 15, Rīga, LV 1048	+371 67444444	info@swedbank.lv www.swedbank.lv
Trasta komercbanka AS	Miesnieku iela 9, Rīga, LV 1050	+371 67027777	info@tkb.lv www.tkb.lv

## Appendix 6. Account managers in Lithuania

Name	Address	Phone	E-mail/ Internet
SEB bankas	Gedimino 12, Vilnius, LT-01103	+370 52682370	info@seb.lt www.seb.lt
Danske Bankas	Saltoniskiu 2, Vilnius, LT-08500	+370 52787144	www.sampo.lt
Šiaulių Bankas	Tilžės 149, Šiauliai, LT-76348	+370 41595654	info@sb.lt www.sb.lt
Nordea Bank AB	Didžioji 18/2, Vilnius, LT-01128	+370 52361335	info@nordea.lt www.nordea.lt
Medicinos Bankas	Pamėnkalnio 40, Vilnius, LT-01114	+370 52644845	info@medbank.lt www.medbank.lt
Citadele Bankas	K. Kalinausko 13, Vilnius, LT-03107	+370 52664622	info@citadele.lt www.citadele.lt
Swedbank AB	Konstitucijos pr. 20A, Vilnius, LT-03502	+370 52684742	info@hansa.lt www.hansa.lt
DnB Nord Bankas	Konstitucijos pr.21, Vilnius LT- 03601	+370 52393771	info@dnbnord.lt www.dnbnord.lt
Bankas Snoras (company in bankruptcy)	A. Vivulskio 7, Vilnius, LT-03221	+370 52652662	info@snoras.lt www.snoras.com
Ūkio Bankas ( company in bankruptcy )	Maironio 25, Kaunas, LT-44250	+370 37301430	ub@ub.lt www.ub.lt
BC Kapitalo srutai	Vykinto 14 Vilnius	+370 52723798	info@kapitalosrutai.lt www.kapitalosrutai.lt
BC Orion Securities	A. Tumėno 4, Vilnius, LT-01109	+370 52313833	info@orion.lt www.orion.lt
BC G.Steponkaus kontora	Konstitucijos 15-12, Vilnius, LT- 08106	+370 52755577	info@steponkus.lt www.steponkus.lt
BC "DV invest"	Konstitucijos9-39,Vilnius LT-08106	+370 52735806	info@dvinvest.lt

## ***Appendix 7. Contact information***

Estonian CSD / Nasdaq Tallinn

Phone: +372 640 8800

Fax: +372 640 8801

Address: Tartu St. 2, 10145 Tallinn, Estonia

e-mail: [csd@e-register.ee](mailto:csd@e-register.ee), [tallinn@nasdaq.com](mailto:tallinn@nasdaq.com)

<https://www.e-register.ee/en>

<http://www.nasdaqbaltic.com>

Latvian Central Depository / Nasdaq Riga

Phone: +371 6721 2431

Fax: +371 6722 9411

Address: Valnu St. 1, LV-1050 Riga, Latvia

e-mail: [lcd.riga@nasdaq.com](mailto:lcd.riga@nasdaq.com), [riga@nasdaq.com](mailto:riga@nasdaq.com)

<http://www.nasdaqbaltic.com>

Central Securities Depository of Lithuania / Nasdaq Vilnius

Phone: +370 5 253 14 00

Fax: +370 5 531401

Address: Konstitucijos pr.29, LT-08105 Vilnius, Lithuania

e-mail: [info@lcvpd.lt](mailto:info@lcvpd.lt)

<http://www.LCVPD.lt>

<http://www.nasdaqbaltic.com>