

Approved by the resolution
of the Management Board of Nasdaq Tallinn AS

Specification of Trading Rules

Present Specification of Trading Rules has been established on the basis of clause 4.1.3 of the Chapter Membership Rules of the Rules of the Nasdaq Tallinn Stock Exchange (Exchange).

The purpose of the Specification of Trading Rules is to specify the procedure of applying trading rules established by the Exchange, determine the technical trading parameters for applying trading rules and provide for other issues regulated by the Specific Trading Rules according to the Rules and Regulations of the Stock Exchange.

The following technical trading parameters shall be determined in the trading system based on calculations and estimates made in accordance with Commission Regulation (EC) No 1287/2006 and published by the Committee of European Securities Regulators:

- 1) Block Trade threshold limits which depend on the average daily turnover of the share in question;
- 2) Deferred publication thresholds and applicable delays based on the size of the transaction in case of trades specified in the second sentence of 5.6.9 of the Chapter Membership Rules in the Exchange Rules.

Specification of Trading Rules consist of the following sections:

- 1.** Structure of the trading day and time schedule of trading transactions – Annex 1
- 2.** Opening call auction, Closing call auction and equilibrium price – Annex 2
- 3.** Types, terms and conditions of orders and matching priorities – Annex 3
- 4.** Registration deadlines of manual trades – Annex 4
- 5.** Tick Size, Minimum Quantity and Volatility Guard – Annex 5
- 6.** *Repealed*
- 7.** Calculation rules for the volume Weighted Average Spread – Annex 7
- 8.** Trade Classes and Types of manual trades – Annex 8
- 9.** Determining of price for fixed-income instruments – Annex 9

Annex 1

“Structure of the trading day and time schedule of trading transactions”
 to the Specification of Trading Rules

This annex to the Specification of Trading Rules shall set out the **time-schedule for a Trading Day of the Equities Market and Fixed-Income Market**, and shall specify the functional restrictions of the trading activities related thereto.

I Equities Market

- 1.** The time-schedule and functional restrictions of different segments (*shares, Issuance Instruments and investment fund units*) of the Equities Market:

Trading Sessions	Phase during relevant session	Start time or period of time	Activities		
			Order Management ¹	Automatic Order Matching	Manual trades
<i>Pre-trading session</i>	<i>Pre-Open</i>	09:00-10:00	Yes	No	Yes
<i>Trading Hours</i>	<i>Uncross</i>	10:00 ²	Yes	Yes	Yes
	<i>Continuous Trading</i>	10:00-15:55	Yes	Yes	Yes
	<i>Pre-close</i>	15:55~16:00	Yes	No	Yes
	<i>Uncross</i>	Approximately 15:59:30 - 16:00 ³	Yes	Yes	Yes
<i>Post-trading session</i>	<i>Post-trade</i>	~16:00 - 16:30	Yes ⁴	No	Yes
<i>Off-trade period</i>	<i>Off-trade period</i>	16:30 - 09:00	No	No	No

Explanations:

"Yes" – execution of an action is permitted.

"No" – execution of an action is prohibited or technically precluded.

1 Includes the entry, amendment and revocation of orders. Changing the volume of an order does not change the priority of the order. The amendment of other parameters of orders takes place via the revocation of the order to be amended and the entry of the order with amended parameters – thereby the order with amended parameters acquires a new priority.

2 The Uncross in the Opening Day Call is subject to a 5 second randomization among the Order books. For example, if the Opening Call Uncross takes place at ~10:00, the individual Order books may open randomly between 10:00:00 – 10:00:05.

3 In the stage of matching of orders, the matching of orders begins at the same time in all Order Books. The matching of orders is completed in all Order Books within a short time period (*in general less than a second*).

4 Cancellation of orders and the amendment of data only to a limited extent. Amendments cannot be made in the price and volume of the order.

Times may be adjusted on public holidays due to circumstances related to officially shortened working schedules.

II Fixed-Income Market

2. The time-schedule and functional restrictions of the Fixed-Income Market:

Sub-Market: TSE Bonds Automatch

Period	Time	Order entering	Order modification	Activities Order cancellation	Manual Trades
Trading Hours (TRAD)	10:00–16:00	Yes	Yes	Yes	Yes
Terminating (TERM)	16:00–16:05	No	No	No	No
Post-trading session (POTR)	16:05–16:30	No	No	Yes	No
Off-trade period (CLSD)	16:30–10:00	No	No	No	No

"Yes" – execution of an action is permitted.

"No" – execution of an action is prohibited or technically precluded.

Annex 2

“Opening call auction, Closing call auction and equilibrium price”
to the Specification of Trading Rules

This annex to the Specification of Trading Rules specifies the principles for carrying out an **Opening call auction and Closing call auction** (hereinafter both referred to as the auction or auctions) and for determining the equilibrium price.

1. Auctions shall be applied only on the Equities Market and on its segments.
2. An auction is comprised of the order management phase (in the case of open call auctions also referred to as Pre-open, in the case of closing auction as Pre-close) and the order matching (Uncross) phase.
3. Equilibrium price is determined in the Uncross phase on the basis of valid orders participating in the auction on the basis of which these orders are automatically matched into transactions.
4. Equilibrium price is determined only in case when in the specific Order Book the highest purchase price is higher or equal to the lowest sale price.
5. Equilibrium price is considered to be the price, which on the basis of orders participating in the auction:
 - 5.1. provides the maximum transaction turnover;
 - 5.2. in the event that there are several competing price levels as a result of the application of clause 5.1, provides the best balance between demand and supply (meaning that of all the possible price levels such a level is selected whereupon the number of securities that remain unmatched is the smallest);
 - 5.3. in the event that there are several competing price levels as a result of the application of clause 5.2, based on the price level of purchase orders or sale orders, subject to which types of transaction orders total more in volume (e.g. if the purchase orders are prevailing, the equilibrium price is selected according to purchase orders); or
 - 5.4. in the event that there are several competing price levels as a result of application of clause 5.3, is equal to the average price between the highest price with positive imbalance and the lowest price with negative unbalance. If this price is off tick it shall be rounded to the nearest tick.
6. Orders with the price, which is equal or better than the equilibrium price, are automatically matched, whereas the transaction price is the equilibrium price. In case of buy orders the best price is higher than the equilibrium price and in case of sale orders the best price is lower than the equilibrium price. In case of competing orders with the same price the preference is given to the order, which is placed at an earlier time (FIFO).
7. If the rules determining the validity of the order do not provide otherwise, the orders that were not matched during the opening call auction shall remain in the order book.

Annex 3
"Types, terms and conditions of orders and matching priorities"
to the Specification of Trading Rules

This annex to the Specification of Trading Rules lays down the **types, terms and conditions of orders and principles of matching orders**:

I Equities Market

1. Priority rules for matching orders:

- 1.1. In general, the priority of an order upon automatic matching of orders is determined firstly by the price of a transaction order, secondly by transparency or displayed volume and thirdly by the time (timestamp) when the order is entered.
- 1.2. After the displayed portion of a reserve order (Iceberg Order) is fully executed, the non-displayable portion of the transaction order is decremented, while retaining time priority and, for such decremented portion, a new displayable order is entered in the order book with new time priority.
- 1.3. The priority between Imbalance Orders is determined by the time when orders were entered.

2. Order types:

- 2.1. **Limit Order** – an order stipulates a maximum permitted purchase price (in the case of Purchase Orders) or a minimum permitted sale price (in the case of Sale Orders). Subject to the period of a trading day to which orders with specified price are desired to be sent, the following additional conditions may be determined for orders:
 - 2.1.1. **Call only** – the order shall be included only in the next (coming) auction. After the completion of the next auction, the order shall be deleted from the Order Book.
 - 2.1.2. **On-open** – the order (Limit On Open Order, LOO) shall be included only in an Opening call auction and its price is equal to the price specified in the order or to the best equilibrium price formed in the course of the Opening call auction; or
 - 2.1.3. **On-close** – the order (Limit On Close Order, LOC) shall be included only in a Closing auction and its price is equal to the price specified in the order or the best equilibrium price formed in the course of the Closing auction.
- 2.2. **Market order** – an order in which the price is not designated and that is matched to the opposite side order with the best price to the extent that the volume of such an opposite side orders allows. The unmatched portion of the market order shall be immediately cancelled, because all market orders shall be subject to the condition "Immediate-or-Cancel" (IOC). Subject to the period of a trading day to which market orders are desired to be sent, the following additional conditions may be determined for orders:

- 2.2.1. **Call only** – the order shall be included only in the next (coming) auction. After the completion of the next auction, the order shall be deleted from the order book.
- 2.2.2. **On-open** – the order (Market on Open Order, MOO) shall be included only in an Opening call auction and its price is equal to the equilibrium price formed in the course of the Opening call auction.
- 2.2.3. **On-close** – the order (Market on Close Order, MOC) shall be included only in a Closing auction and its price is equal to the equilibrium price formed in the course of the Closing auction.
- 2.3. **Imbalance Order** – the order used only in an Opening call auction (Imbalance-on-open) or a Closing auction (Imbalance-on-close), the main objective of which is to fill the imbalance between the surplus and deficit side during the auction. The price of an imbalance order is deemed to be the equilibrium price formed in the course of the auction.

3. Order Attributes:

- 3.1. **Reserve order** (Iceberg Order) – a fixed portion of the total volume of an order is not displayed in the order book. The displayed portion of a reserve order may not be less than one (1).
- 3.2. **Minimum Quantity Order** – the order specifies the minimum volume that shall be the threshold below which no matching is allowed. An order with this attribute can be used during a trading period only together with the order specified in clause 3.3 or with the validity period attribute specified in clause 4.1 (Immediate-or-Cancel).
- 3.3. **Non-displayed Order** – an order with a specified price that qualifies as large in scale compared with normal market size, based on the data published on the website of the Committee of European Securities Regulators on the basis of articles 33 (6) and 34 (5) of the Commission Regulation No 1287/2006 and table 2 of Annex II of the Commission regulation (EC) No 1287/2006, and which is visible only to a member of the Exchange who entered the order.
- 3.4. **Pegged Order** – an order whose price changes continuously, subject to which of the following pegs expressed in Tick Size the order price is dependent on:
 - 3.4.1. the best price of the price of an order to the same side (Primary Peg);
 - 3.4.2. the best price of the price of an order to the opposite side (Market Peg);
 - 3.4.3. mid-point (Mid-point Peg) of the spread (mid-point of the BBO).
- 3.5. A pegged order whose price is dependent on the mid-point of the BBO of the Mid-point Peg (clause 3.4.3) may be used only if the order qualifies as large in scale compared with normal market size, based on Table 2 of Annex II of the Commission regulation (EC) No 1287/2006.
- 3.6. If the order specified in clauses 3.4.1 or 3.4.2 is pegged to an order of the same side or an order of the opposite side so that its price falls in the spread, the order

must be large in scale compared with normal market size, based on Table 2 of Annex II of the Commission regulation (EC) No 1287/2006.

- 3.7. If an order meeting the conditions specified in clause 3.5 or 3.6 does not qualify as large in scale compared with normal market size due to any further changes in the order price or volume, the order shall be automatically given the validity period attribute Immediate-or-Cancel or, if it is set as a preference by the Member of the Exchange – the order shall be removed from the Trading System.
- 3.8. In the case of automatic adjustment of the price of the pegged order, the Trading System automatically cancels the order at the previous price level and re-enters the order with the new timestamp at the new price level.

4. Attributes regarding validity period of orders:

- 4.1. **Immediate-or-Cancel** (IOC) – the order is executed if the order quantity can be immediately matched in full or in part. In the case of partial matching, the unmatched part shall be cancelled.
- 4.2. **Good-till-market close** (Day Order) – the order is valid until the end of the trading period of a trading day. A portion of the order quantity that is not matched at the latest in the matching phase of a closing auction (uncross) shall be cancelled.
- 4.3. **Good-till-cancelled** (GTC) – the order is valid until it is cancelled.
- 4.4. **Good-till-time** (GTT) – the order is valid until a specified time of the current day.

5. Combinations of order types and attributes

- 5.1. The combinations of different order types and conditions supported by the trading system are laid down in the Market Model Document.

II Fixed-Income Market

6. Priority rules for matching orders:

- 6.1. On the Fixed-Income Market, the purchase or sale order shall be automatically matched with an order entered previously in the Order Book that has a suitable price and quantity by using the criteria of price and time priority. Orders shall be automatically matched according to the price criteria (price priority). In the case there are competing orders with the same price, the priority shall be given to the order that was placed in the order book at an earlier time (time priority).
- 6.2. Reduction of the order quantity does not affect the order priority. The other changes are accompanied by cancellation of the order and replacement of the cancelled order with a new order.

7. Order types:

- 7.1. **Limit Order** - a limit order stipulates a maximum purchase price or minimum selling price. Order is executed either fully or partially by automatically matching it.
- 7.2. **Market Order** – a market order is an order to sell or buy at the best available price and is therefore entered without a price. A market order will trade through the order book until the entire quantity is filled.
- 7.3. **Market –to-limit Order** –a market-to-limit order is an order to sell or buy at the best possible price. If the order is partly matched, the remainder is converted into a limit order priced at match price. In comparison with a normal market order, the market-to-limit order only executes at the best price level and, therefore, does not trade through the order book.
- 7.4. **Linked Order** – the linked order corresponds to a number of single orders with an exclusive OR-condition on the maximum volume level. When a trade takes place in one of the legs, the volume of the other legs will immediately be reduced proportionally (If one order is executed partially, the other(s) is decreased proportionally). If one order is executed in full, the other(s) is cancelled. The maximum number of orders that can be linked is 5.

8. Order attributes:

- 8.1. **Reserve Order** (Iceberg Order) – a certain portion of the total volume of an order is not displayed in the order book.
- 8.2. **Fill or Kill** (FoK) – is executed only in the event if the order volume can be immediately matched to a transaction to the full extent. The order shall be automatically cancelled if the immediate and full matching to a transaction is not possible.
- 8.3. **Fill and Kill** (FaK) – is executed only in the event that the order volume can be immediately matched to a transaction in full or in part. In the case of partial matching, the unmatched volume shall be cancelled.

9. Attributes regarding to validity period of orders:

- 9.1. **Day Order** – the order is valid until the end of the trading period of the corresponding trading day.
- 9.2. **Good till date (GTD)** – the order is valid until a specified date in the future.

10. Other details

- 10.1. The other details are described in the Market Model Document.

Annex 4
 "Registration deadlines of manual trades"
 to the Specification of Trading Rules

1. This annex specifies requirements provided in 5.6.8 of Chapter *Membership Rules* on **registration deadlines of manual trades**.
2. Registration deadlines of manual trades are subject to the following table:

Time of the trade	Registration/ reporting deadline
During the Trading Session	Immediately but not later than within three (3) minutes from the Time of the Trade.
Time period that starts 3 minutes before the closure of the trading session (3 minutes before the end of the Closing auction) provided that the Member was unable to report the trade within the trading session due to circumstances beyond the Member's control.	At the first opportunity upon opening of the Post-trading session, but not later than within 3 minutes as of conclusion of the transaction.
During the Post-Trading Session	Immediately but not later than within three (3) minutes from the Time of the Trade.
Time period that starts three (3) minutes prior to closure of the Post-Trading Session and ends with the closure of the Post-Trading Session, provided that the Member was unable to report the trade due to circumstances beyond Member's control.	At the latest at the first possibility during the Pre-trading session on the following Exchange Day.
After the Post-Trading Session (<i>Off-trade period</i>)	At the latest at the first possibility during the Pre-trading session on the following Exchange Day.
Pre-Trading Session	Immediately but not later than at the first opportunity prior to opening of the Trading Hours.
Time period that starts 3 minutes before the opening of the Trading Hours and ends with the opening of the Trading Hours provided that the Member was unable to report the trade within the period before the Trading Hours due to circumstances beyond the Member's control.	Not later than three (3) minutes from the Time of the Trade.

Annex 5
"Tick Size, Minimum Quantity, Volatility Guard and auction Safeguards"
to the Specification of Trading Rules

This annex to the Specification of Trading Rules lays down the **Tick Size, Minimum Quantity, Volatility Guard and auction Safeguards**.

1. Tick Size

- 1.1. The Tick Size is:
- 1.1.1. in case the price is up to one euro, the Tick Size is 3 decimals, i.e. 0.001 EUR (one tenth of euro cent);
 - 1.1.2. in case the price exceeds one euro, the Tick Size is 2 decimals, i.e. 0.01 EUR (one euro cent);
 - 1.1.3. in case the price exceeds ten euros, the Tick Size is one decimal, i.e. 0.1 EUR (ten euro cents)

Price from	Tick Size
0	0,001
1	0,01
10	0,1

- 1.1.4. To Manual Trades the Tick Size is 5 decimals, i.e. 0.00001 in EUR.
- 1.2. As an exception to the provision in clause 1.1, the value of the Tick Size for fund units traded on the segment of fund units is 4 decimals, i.e. 0.0001 EUR.
- 1.3. Tick size in the Fixed-Income Market is:
- 1.3.2. on the Sub-Market TSE Bonds Automatch:
 - 1.3.2.1. in terms of "clean price" (price excluding accrued interest in percentage of nominal value): 6 decimals, i.e. 0.000001%;
 - 1.3.2.2. in terms of yield: 4 decimals, i.e. 0.0001%.

2. Minimum Quantity

- 2.1. General minimum quantity is 1 (one).

3. Volatility Guard

- 3.1. To ensure and restore an orderly trading in single order book, Exchange uses Volatility Guard as an automatic measure in cases when an order deviates substantially from certain prices (for example last sale price or reference price). When Volatility Guard is triggered, continuous trading is briefly halted followed by an auction period, after which the trading continues. The limits, terms, and other conditions of Volatility Guards are specified in Market Model Document.

4. Safeguards in opening and closing auctions

- 4.1. Auction safeguards are to limit unexpected impact to opening or closing prices due to erroneous or extraordinary order entries during opening and closing auctions. The auction safeguards will trigger an extension period to the opening and closing auctions in a single order book, if the proposed auction price of that order book deviates too much in percentage from a reference price at the time of the uncross. The limits, terms, and other conditions of safeguards are specified in Market Model Document.

Annex 7

“Calculation rules for the volume Weighted Average Spread”
 to the Specification of Trading Rules

Clause 5.9.3 of the Chapter Membership Rules defines the **Volume Weighted Average Spread** as the spread (interval) between computational volume weighted average buy and sell price, which would be applicable in case the transaction order relating to Manual Trade had been entered into Order Book respectively as an Order with the Order condition “Market Price”. Only open volumes of Orders in the Order Book shall be taken into account for the purposes of calculation of Volume Weighted Average Spread.

The above rule is explained by the following example:

Exchange Member intends to buy 250 000 shares by way of entering into manual trade. Following orders are displayed in the Order Book at the time of the trade:

Amount	Buy	Sell	Amount
96200	109.75	110.00	121500
75800	109.50	110.25	67800
50000	109.25	110.50	55950
25000	109.00	110.75	23400
<u>20600</u>	<u>108.75</u>	<u>111.00</u>	<u>58800</u>
267600	109.44	110.37	327450

Calculation process of the Volume Weighted Average Spread considering the above situation in the Order Book would be as follows:

- $[(110.00 \cdot 121,500) + (110.25 \cdot 67,800) + (110.50 \cdot 55,950) + (110.75 \cdot 23,400)] / 250\,000 = \underline{\underline{110.19}}$
- $[(109.75 \cdot 96,200) + (109.50 \cdot 75,800) + (109.25 \cdot 50,000) + (109.00 \cdot 25,000) + (108.75 \cdot 20,600)] / 250\,000 = \underline{\underline{109.49}}$

Thus the trade would be made within the Volume Weighted Average Spread under given circumstances if the price would stay within the interval from EUR 109,49 (inclusive) to EUR 110,19 (inclusive).

Annex 8
 "Trade classes and Types of Manual Trades"
 to the Specification of Trading Rules

This annex to the Specification of Trading Rules specifies **classes and types of Manual Trades**.

1. Classes of Manual Trades:

Trade class	Designation of trade type	Explanation
Standard	Standard Trade	A Manual Trade that has been executed on standard market terms in respect to price (Member Rules clauses 5.9.3-5.9.6), time and settlement Trades below the Block transaction limits shall be made within the volume weighted average spread. In case it is impossible to identify the volume weighted average spread, the Manual Trade shall be executed at a price that reflects the current market value.
Non-Standard	Choice based on the table presented in clause 2 (<i>Equities Market</i>) or clause 3 (<i>Fixed-Income Market</i>)	A Manual Trade that, due to reasonable circumstances is executed at a price that does not reflect the current market value or at a price that has not been set within the respective price spread if the spread would be applicable under standard circumstances .

2. Different types of transaction class "Non-Standard" on the Equities Market:

Designation of transaction	Explanation
Derivative Related Transaction	A transaction related to the exercise or expiration of options, forwards, futures or derivative transactions that imply delivery of securities or a transaction which is otherwise related to derivative transactions (Derivative Related Transaction).
Portfolio Trade	A trade made in securities if it is a part of a trade in which the objects are different securities (Portfolio trade).
Volume weighted average price	A trade made for execution of several orders where the purchase price of the trade is determined by using the volume weighted average price (<i>Volume weighted average price transaction</i>).
Non-standard settlement	A trade whose value date is not T+2, irrespective of whether the purchase price of the trade met or did not meet the requirements specified in clauses 5.9.3-5.9.6 of the Chapter "NASDAQ OMX Tallinn Member Rules".
Exchange granted trade	Other trades differing from those specified in this table and which have a reasoned need for the determination of the purchase price based on factors other than the current market value of a security or if the trade is different from normal trade with a specified counterparty by its other features or conditions. The use of the given type of trade generally requires the prior consent of the Exchange in each particular case.

3. Different types of transaction class "Non-Standard" on the Fixed-Income Market:

Trade type		Description
<i>Derivative Related Transaction</i>		A transaction related to the exercise or expiration of options, forwards, futures or derivative transactions that imply delivery of securities or a transaction which is otherwise related to derivative transactions (Derivative Related Transaction).
<i>Portfolio Trade</i>		A trade made in securities if it is part of the trade the objects of which are different securities (Portfolio trade).
<i>Volume weighted average price</i>		A trade made for execution of several orders where the purchase price of the trade is determined by using the volume weighted average price (Volume weighted average price transaction).
<i>Repurchase agreement</i>		A trade made between a lender and a borrower for lending and/or returning securities (<i>Repurchase agreement</i>).
<i>Non-standard settlement</i>		A Manual Trade with settlement cycle other than standard settlement cycle. "
<i>Exchange granted trade</i>		Other trade different from those specified in this table and which have a reasoned need for determination of the purchase price based on factors other than the current market value of a security or if the trade is different from normal trade with specified counterparty by its other features or conditions. The use of the given type of trade generally requires the prior consent of the Exchange in each particular case.

4. Use of trade type designations

4.1. In the event of incorrect use of a trade type (*e.g., in the event of a trade with a specified counterparty the trade type "Standard Trade" is used irrespective of the matter that the purchase price of the trade is substantially different from the weighted average spread*), the Exchange has the right to cancel or adjust the trade or request the adjustment of the trade type, or exclude the trade from trades influencing the "last purchase price".

4.2. Upon request of the Exchange, the Member must provide evidence to the Exchange that the use of the trade type was substantiated.

Annex 9

“Determining of price and quantity for fixed-income instruments”
to the Specification of Trading Rules

Determining of price for Fixed-Income Instruments

1. Repealed

2. Sub-Market *TSE Bonds Automatch*

These Rules define the principles for determining of price and quantity for Fixed-Income Instruments at Sub-Market *TSE Bonds Automatch*, according to which price of Orders and Manual Trades is determined.

- 2.1.** Price for Fixed-Income Instrument is determined in “clean price” (i.e. price excluding accrued interest indicated in percentage of the nominal value).
- 2.2.** Besides “clean price” there is a possibility for some instruments to show also the corresponding yield to maturity, which is used for information purposes only.
- 2.3.** Orders placed in the Order Book price for Fixed-Income Instrument will match automatically based on “clean price”.
- 2.4.** The quantity of Fixed-Income Instrument is indicated as Nominal Amount (number of instruments, subject to order, multiplied with nominal value of the instrument).
- 2.5.** To calculate the value of monetary payments arising from transactions with Fixed-Income Instruments (i.e. settlement amounts), the dirty price (including accrued interest indicated in percentage of the nominal value) is multiplied with the Nominal Amount. Settlement amount of the trade is rounded to 2 digits after the decimal point, applying the arithmetic decimal rounding rules.
- 2.6.** Accrued interest is rounded to 6 digits after the decimal point.

3. Repealed