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**1. GENERAL PROVISIONS**

- 1.1. For the purposes of these "Rules for Clearing and Settlement of Exchange Transactions" (hereinafter the *Settlement Rules*), clearing of exchange transactions shall mean execution of exchange transactions i.e. the execution of transactions conducted in markets organized by the Exchange, including multilateral trading system in accordance with the provisions of the Rules.
- 1.2. For the purposes of these Settlement Rules, the settlement of exchange transactions shall mean execution of obligations arising from exchange transactions by transfers of securities and money, according to the conditions of the exchange transactions executed by the Members on the basis of the settlement details (transfer order) submitted by the Members to the registrar the Estonian Register of Securities hereinafter: Depository and the execution of operations by the Exchange necessary for clearing and settling the transactions.
- 1.3. For the purposes of these Settlement Rules, the settlement details shall mean an order given by a Member for the transfer of securities in order to execute the exchange transaction, which contain information necessary for the execution of the transaction.
- 1.4. Unless otherwise provided by the Settlement Rules, the clearing and settlement of exchange transactions shall be effected according to the rules established by Depository (hereinafter: Depository Rules). Unless provided otherwise, the definitions presented in the Settlement Rules shall be used in the meaning specified in the Depository Rules.
- 1.5. The composition of data contained in the trade data and settlement details forwarded by a Member for clearing and settlement of exchange transactions shall be determined by the provisions of the rules for the use of the Exchange trading system and the Depository Rules.
- 1.6. The clearing and settlement of exchange transactions shall be effected on the settlement date of the transaction (*S*). The settlement date of an exchange transaction shall be determined according to the rules for the use of the trading system. In case of automatic order matching, the settlement date of the transaction shall be the second exchange day (*T+2*) following the transaction date (*T*). Members can agree upon a settlement date that differs from that by filing a relevant application with the Exchange according to the procedure prescribed by the Exchange. In case of manual trade, the Members may determine that the settlement date of the transaction is from *T+0* until *T+6*. Members may agree on a different settlement date of the transaction than the one provided in the previous sentence may be agreed only on the consent of the Exchange.
- 1.7. A Member shall be held responsible for securities and money necessary for clearing and settling transactions being available on the respective current and securities accounts, both in the case of transactions in the name and on the account of the Member as well as in the name and on the account of their clients.
- 1.8. The Exchange shall control the possibility of clearing and settlement of transactions. In the cases and according to the procedure provided by

these Settlement Rules and Depository Rules the Exchange has the right to:

- 1.8.1. make inquiries related the settlement from the Depository about securities accounts and Transfer Orders;
- 1.8.2. give instructions and requests for cancellation or amendment of settlement details/Transfer Orders and trade data to the Depository and submit new Transfer Orders if this is necessary for the application of settlement discipline measures such as use of the guarantee fund, enforcement of settlement limit(s), buy-in and sell-out procedures as provided in the and these Settlement Rules and Depository Rules.

## 2. Depository CLEARING AGENT AND CLEARING AGREEMENT

- 2.1. A Member, which is not a credit institution being Depository account operator shall have a valid clearing agreement with a credit institution which is an Depository account operator (hereinafter: the *Clearing Agent*) for clearing and settlement of exchange transactions. By consent of the Exchange Management Board, a foreign Member may arrange the clearing and settlement of exchange transactions through an Depository account operator, which complies to the requirements provided in subsection 32 (2) of the Estonian Central Register of Securities Act (hereinafter: the *Foreign Clearing Agent*). In such a case, the Member does not need to conclude a clearing agreement with a credit institution, being Depository account operator. The Exchange Management Board shall refuse to grant the above-mentioned consent if the settlement of exchange transactions by the foreign Member has not been arranged according to the laws of their home state or does not ensure the due execution of the obligations arising from exchange transactions according to the assessment of the Exchange Management Board.
- 2.2. A clearing agreement is an agreement concluded by a Member with a Clearing Agent, on the basis of which the financial obligations arising from the exchange transactions of the Member are settled under the settlement details forwarded by it through the Clearing Agent.. The conditions of and procedure for monetary clearing and settlement through the Clearing Agent shall be specified in the Depository Rules.
- 2.3. Settlement of the financial obligations between a Clearing Agent and a Member shall be effected according to the conditions and procedure provided by a clearing agreement or other agreement between them.
- 2.4. A Member shall submit a data of the clearing agreement to the Exchange. Five banking days before the expiry of the clearing agreement at the latest, the Member shall submit a data of the new clearing agreement that shall enter into force on the day following the date of expiry of the previous clearing agreement at the latest.

**3. REPEALED**

**4. TRANSFER OF DATA FROM TRADING SYSTEM TO CLEARING AND SETTLEMENT SYSTEM**

4.1. The data (the *trade data*) regarding the conditions of the exchange transactions executed in the Exchange trading system, which are contained in transaction orders and trade data are transferred to the clearing and settlement system used for clearing and settlement of exchange transactions with the following specifications:

4.1.1. *Repealed - entered into force 27.09.2004*

4.1.2. as the price of the exchange transaction executed with bonds shall be specified as a percentage of the nominal value of the bond in the trading system, the price of the bond shall be recalculated before the transfer of data to the clearing and settlement system, as a result of which the price of the bond shall be displayed in the trade data as the price of the bond in euros.

**5. *repealed as of July 15, 2013***

**Pls look "Rules of Formation and Usage of the Guarantee Fund"**

**6. AMENDMENT OF EXCHANGE TRANSACTIONS****6.1. General provisions**

For the purposes of these Settlement Rules, amendment of exchange transactions shall mean amendment of the conditions of exchange transactions and settlement details until the banking day preceding the settlement date of the transaction (S-1). Amendments can be made according to the Depository Rules.

**6.2. Amendment of conditions of exchange transaction**

6.2.1. Only the Exchange has the right to decide upon amending the conditions of an exchange transaction. Unless otherwise provided by these Settlement Rules or Member Rules, the Exchange shall request Depository to amend the conditions of the exchange transaction based on a motivated application of the Member serving as a party to the transaction, provided that the other party to the transaction has also granted their consent to the amendments requested.

6.2.2. A Member has the right to submit to the Exchange an application for the amendment of the following conditions of an exchange transaction:

6.2.2.1. Repealed ;

6.2.2.2. conversion of the exchange transaction into a transaction with off-exchange settlement by cancellation of the initial transaction;

6.2.2.3. cancellation of the exchange transaction.

6.2.3. If the Exchange refuses to decide the above-mentioned amendments to the conditions of the exchange transaction and instruct Depository accordingly, the Member submitted the application shall be immediately notified thereof.

**6.3. Amendment of data contained in the settlement details by Member**

6.3.1. A Member has the right to amend the settlement details made by them for execution of an exchange transaction, if the settlement details have not been confirmed. Member

6.3.2. If the confirmation of the account operator has been attached to the settlement details, the Member has no right to amend them. The Member has the right to apply to the account operator who certified the settlement details to cancel the settlement details.

**6.4. Off-exchange settlement of exchange transactions**

- 6.4.1. As a rule, settlement of exchange transactions shall be effected according to the Depository Rules. On the basis of a motivated application of a Member and provided the Member firm acting as the counterparty to the transaction agrees thereto, the Exchange may allow settlement of the transaction executed through the trading system of the Exchange as so-called Off-exchange Settlement of Exchange Transaction. For this purpose the Exchange will request Depository to cancel the transaction and it will be inserted as a new one with off-exchange settlement regime.
- 6.4.2. After the conversion of the exchange transaction into an off-exchange transaction, the Member shall arrange the settlement of the transaction as "transfer of securities without payment" or "transfer of securities against payment" in accordance with the Depository Rules.
- 6.4.3. The off-exchange transaction shall be settled through the Depository account operator with the settlement date of T+5 at the latest, where the date of entering the trade data in the Exchange trading system shall be regarded as the date T. The Member shall immediately notify the Exchange of the settlement of the transaction or unsetting it during that period.
- 6.4.4. The measures provided by these Rules and Regulations shall not be applied to secure the execution of off-exchange transactions. Off-exchange transactions shall be executed on the own responsibility of the Members.



## **7. ACTIVITIES OF EXCHANGE UPON ARRANGEMENT AND SECURING OF SETTLEMENTS**

### **7.1. General provisions**

7.1.1. The Exchange has the right to issue mandatory precepts to Members, if the Member as failed or is, according to the Exchange, unable to execute, either partially or fully, their obligations arising from the clearing and settlement of exchange transactions either in the name and on the account of the Member or on the account of the client.

7.1.2. The Exchange has the right to impose additional requirements on the Member that is related to an exchange transaction the settlement of which has partially or fully failed, or in respect of whom there are grounds to believe that they are unable to execute the obligations arising from the settlement of their exchange transaction and related thereto.

7.1.3. A delay caused by a technical error of the Member, measures taken by the Exchange or other reason upon the settlement of the exchange transaction shall not serve as the basis for cancellation of the exchange transaction and shall not grant a party to the transaction the right to unilaterally refuse to settle the transaction, except in the cases provided in section 4.1 of the Member Rules. If the delay upon the settlement of the exchange transaction was caused by the activities or omission of a party to the transaction, as a result of which the other party incurred proprietary damage, the other party to the transaction has the right to demand of the delaying party compensation for the proprietary damage, except for the revenue forgone, caused by the delay upon the settlement of the transaction.

7.1.4. The Exchange has the right to apply to a Member that has, according to the assessment of the Exchange, either partially or fully responsible for the failure to settle an exchange transaction, all the measures and sanctions provided by the Rules and Regulations of the Exchange as well as other aids and measures that have not been directly provided by the Rules and Regulations of the Exchange but the application of which is necessary in the particular situation according to the assessment of the Exchange. As such aid or measure, the Exchange may, *inter alia*, apply buy-in and sell-out of securities. All the orders given by the Exchange to the Member concerning the aids and measures to be applied shall be mandatory to the Member.

### **7.2. Settlement Limit**

7.2.1. The total value of both the buy and sell transactions effected by a Member both in their own name and their own account as well as on the account of the client during one exchange day may not exceed the limit (*settlement limit*) calculated on the basis of the contributions made to the Exchange guarantee fund and pursuant to the procedure established by the Board of the Exchange for securing the execution of the obligations of the given Member.

- 7.2.2. If a Member exceeds the settlement limit, the Exchange may apply one or more of the following measures to the Member:
- 7.2.2.1. to limit the trading activity of a Member in respect of transactions which endanger or may endanger, due to the amount of obligations assumed by the given Member, the execution of the exchange transactions in a timely manner;
  - 7.2.2.2. to demand from the Member the immediate payment of special additional contribution to the guarantee fund;
  - 7.2.2.3. to suspend the trading of the Member, either partially or fully, until the payment of the requested special additional contribution;
  - 7.2.2.4. to apply to a Member by its precepts any additional measures (*incl. the demanding of collateral, deposits, etc*), the application of which is considered necessary by the Exchange in order to ensure the orderly and lawful functioning of the market.
- 7.2.3. The Exchange has the right to apply measures specified in sections 7.2.2.1 – 7.2.2.4 also in case if the Member has exceeded settlement limit established by the other Baltic Exchange or if the amount of obligations assumed by the given member on other Baltic Exchange may clearly endanger the due execution of the transactions entered into on the Exchange in a timely manner.

### **7.3. Verification of clearing and settlement of exchange transactions**

- 7.3.1. The Exchange shall verify the possibility to clear and settle the exchange transactions according to the Depository Rules. The Exchange has a right to provide additional procedure for this purpose.
- 7.3.2. In the course of the verification, the Exchange shall identify the possibility of clearing and settlement of the exchange transactions that are to be settled on the same settlement date (S). For that purpose, the Exchange might verify the following circumstances:
- 7.3.2.1. the existence of the settlement details;
  - 7.3.2.2. execution of the settlement details, i.e.:
    - 7.3.2.2.1. the existence of a confirmation of a competent system member on the settlement details and
    - 7.3.2.2.2. the availability of the amount of securities necessary for settling the exchange transactions on the securities account specified in the settlement details;

**7.4. Unability to settle (Failed transaction)**

7.4.1. An exchange transaction shall be considered a failed transaction, if:

7.4.1.1. *repealed*;

7.4.1.2. the settlement details necessary for executing the exchange transaction have not been attached to the trade data;

7.4.1.3. the settlement details have been entered but a competent system member has not confirmed thereof;

7.4.1.4. the balance and status of the securities account specified in the settlement details do not, on the basis of the registration system data, allow for the execution of all the obligations to be executed in the settlement and specified in the settlement details;

7.4.2. Extraordinary situations that cause failure of exchange transactions

For the purposes of these Settlement Rules, extraordinary situations are situations in which the usual remedies provided in section 7.5 would endanger the operations of the securities market as a whole. Such situations include, *inter alia*, commencement or declaration of a moratorium or bankruptcy proceeding with regard to a Member or their Clearing Agent.

7.4.3. The Exchange shall notify the cases of the failure of exchange transactions to the Members that are responsible for the entry and execution of the respective settlement details but whose settlement details a) are either not there or b) do not ensure the execution of all the obligations arising from the transaction or c) cannot be executed for any other reasons.

7.4.4. During the period provided by the schedule of the settlement operations of exchange transactions, the Members have, *inter alia*, an opportunity for the settlement of the transaction:

7.4.4.1. to request the account operator attachment of their confirmation to the settlement details;

7.4.4.2. to borrow securities;

7.4.4.3. to require the Exchange to make amendments to the conditions of the exchange transaction.

**7.5. Usual remedies applied by Exchange for eliminating circumstances causing failure of exchange transaction**

7.5.1. If the settlement details necessary for the execution of the obligations arising from the exchange transaction of either party have not been attached to the trade data, the transaction will not be settled in the clearing and settling system.

7.5.2. If the settlement details necessary for the execution of the obligations arising from the exchange transaction of one party have not been attached to the trade data, the Exchange has the following rights:

7.5.2.1. In the case of a transaction in which a Member is on the side of both the buyer and the seller according to the information contained in the trade data, the Exchange shall act as follows:

7.5.2.1.1. if according to the settlement details entered, the operations should be effected on the securities account opened in the name of the Member but the settlement details (instructions) for executing operations on the securities account of the client that used the services of the Member are missing, the transaction will remain as standby-regime (recycle) in Depository systems up to five days;

7.5.2.1.2. if according to the settlement details entered, the operations should be effected only on the securities account of the client that used the services of the Member, but the settlement details for executing operations on the securities account of the Member are not there, the Exchange shall request Depository to enter the missing settlement details for executing operations on the securities account opened in the name of the Member and to attach the confirmation of the Member thereto.

7.5.2.2. In the case of a transaction in which the buyer and the seller are different Members according to the information contained in the trade data and one Member has failed to enter their settlement details, the Exchange shall request Depository to enter the respective settlement details for executing operations on the securities account opened in the name of that Member who has failed to enter the settlement details and to attach the confirmation of the Member thereto.

7.5.3. If the settlement details of the exchange transaction have been entered but they have not been confirmed by a competent system member, the Exchange shall act as follows:

7.5.3.1. a transaction in which the Member is both the buyer and the seller according to the information contained in the trade data, while the confirmation has been attached only to the settlement details given in respect of the securities account opened in the name of the Member, the transaction will remain as standby-regime in Depository systems up to five (5) days;

7.5.3.2. in other cases, the Exchange shall request Depository to enter respective settlement details for executing operations on the securities account opened in the name of the Member who entered the

settlement details to which a confirmation has not been attached and to attach the confirmation of the Member thereto.

7.5.4. If the balance of the securities account specified in the settlement details does not, according to the data of the register system, allow for the execution of all the settlement details to be executed in that settlement, the Exchange shall act as follows:

7.5.4.1. the amount of the transaction shall not be decreased for the settlement of the transaction;

7.5.4.2. if a sufficient amount of securities for clearing and settling the transaction is not available on the securities account of the Member specified in the settlement details entered by the Member, the settlement date (related settlement instructions) of the respective transaction shall recycle. The settlement date of the transaction shall recycle by one banking day but not more than five days;

7.5.4.3. if a sufficient amount of securities for clearing and settling the transaction is not available on the account of the client specified in the settlement details entered by the Member, the settlement date (related settlement instructions) of the relevant transaction shall recycle. The settlement date of the transaction shall recycle by one banking day but not more than five days.

## **7.6. Handling of extraordinary situations**

### 7.6.1. General provisions

7.6.1.1. The Exchange shall use the buy-in of securities, the sell-out of securities and the use of the Exchange guarantee fund as the aids aimed at securing the settlement of exchange transactions only in situations covered by legal acts and Guarantee Fund rules.

7.6.1.2. For the purposes of these Settlement Rules, buy-in of securities shall mean buying of securities as an exchange transaction by the Exchange, which are of the same class as the securities serving as the object of an exchange transaction not settled, if the objective of such buy transaction is the transfer of securities to a person entitled thereto in a situation in which settlement of the transaction failed or if the Exchange has grounds to believe that the settlement of the transaction on the settlement date of the transaction would fail.

7.6.1.3. For the purposes of these Settlement Rules, sell-out of securities shall mean a sales transaction effected by the Exchange in respect of the securities, which are of the same class as the securities serving as the object of an exchange transaction not settled, if the objective of the sales transaction is the transfer of money to a person entitled thereto in a situation in which settlement of the

transaction failed or if the Exchange has grounds to believe that the settlement of the transaction on the settlement date of the transaction would fail.

7.6.1.4. Buy-in and sell-out of securities shall be effected according to the procedure established therefore by the Exchange.

7.6.1.5. In order to effect the buy-in and sell-out of exchange transactions, the Exchange shall use the resources of the Exchange guarantee fund and the securities account opened for that purpose in the name of the Exchange (hereinafter: the *Exchange Collateral Account*).

7.6.1.6. For the purposes of these Settlement Rules, the contract price of an exchange transaction is the sale and buying price of securities initially agreed by the parties in the exchange transaction, due to the settlement failure of which the buy-in or sell-out was effected.

#### 7.6.2. Buy-in of securities

7.6.2.1. Buy-in of securities shall be effected, if the Member, which is a seller according to the trade data of the exchange transaction, does not have a sufficient amount of securities serving as the object of the exchange transaction for executing the transaction.

7.6.2.2. Buy-in of securities shall be effected on the settlement date of the failed transaction, or, should that not be possible, on the earliest possible day. An exchange transaction for the securing of which the buy-in was effected shall be settled on its original settlement date or, when not possible, on the earliest possible day.

7.6.2.3. In order to effect a buy-in transaction of securities, the Exchange shall buy the securities necessary for clearing and settling the failed transaction as an exchange transaction and shall enter in this exchange transaction a crediting settlement detail in which they shall specify the Exchange Collateral Account as the securities account. On the basis thereof, the securities bought as a result of the transaction shall be transferred to the Exchange Collateral Account.

7.6.2.4. If the buy-in transaction has been settled or it is certain that it will be settled, the Exchange shall request Depository to replace the debiting settlement detail of the initially failed exchange transaction by a debiting settlement detail in which the Exchange Collateral Account has been specified as the securities account. On the basis thereof, the securities necessary for clearing and settling the exchange transaction shall be taken from the Exchange Collateral Account.

7.6.2.5. Depository shall transfer the money obtained from the sale of the securities serving as the object of the buy-in

transaction to the Exchange guarantee fund on the basis of the order received from the Exchange.

- 7.6.2.6. If the actual price of the bought-in securities is higher than the contract price determined by the parties, the Exchange shall cover the difference from the Exchange guarantee fund.
  - 7.6.2.7. If the Exchange has covered the difference between the contract price and the buy-in price from the Exchange guarantee fund, the Exchange Member shall have the obligation to compensate such difference without delay.
  - 7.6.2.8. The Exchange shall require the Member, whose obligations were met through effecting the buy-in, to pay the difference referred to in 7.6.2.7. The Member shall also be obliged to pay all the fees and expenditure related to the buy-in and arising therefrom.
  - 7.6.2.9. If the actual price of the bought-in securities were lower than the contract price determined by the parties, the Exchange shall transfer the difference in the prices to the Exchange guarantee fund.
- 7.6.3. Settlement of exchange transaction on the account of guarantee fund resources. Sell-out of securities
- 7.6.3.1. A buy transaction of securities of the Member shall be settled on account of the Exchange guarantee fund resource, in case the failure of the clearing and settlement of the transaction due to lack of monetary resources.
  - 7.6.3.2. In order to settle the exchange transaction executed by a Member because of the resources of the Exchange guarantee fund, the Exchange shall request the Depository to replace the crediting settlement detail of the respective exchange transaction of the Member by the crediting settlement detail from the Exchange Collateral Account. In such a case, the amount of money necessary for clearing and settling the transaction shall be taken from the Exchange guarantee fund and the securities serving as the object of the transaction shall be transferred to the Exchange Collateral Account. Consequently, if a buy transaction of securities has been settled, partially or in full, on account of the resources of the Exchange guarantee fund, the Exchange shall give an order to Depository to transfer the securities which had been an object of the buy transaction to the collateral account opened with Depository by the Exchange for this purpose.
  - 7.6.3.3. If the Exchange has used the guarantee fund resources to settle a buy transaction of securities effected by a Member in their own name and on their own account or on the account of their client and the Member has not transferred the amount of money equal to the money used from the guarantee fund to the account of the

Exchange by the end of the third exchange day of the settlement of the transaction, the Exchange has the right to sell out the securities that had been an object to the transaction and had been transferred to the collateral account opened in the name of the Exchange by Depository under the provisions of section 7.6.3.2.

7.6.3.4. The Exchange Collateral Account shall be specified as the debited securities account in the sell-out transaction of securities. In such a case, the securities serving as the object of the transaction shall be taken from the Exchange Collateral Account and the money received as a result of the transaction shall be transferred to the Exchange guarantee fund.

7.6.3.5. If the money received as a result of the sell-out of securities in accordance with the provisions of section 7.6.3.4 is not sufficient to cover the amount used to settle the transaction executed on account of the Exchange guarantee fund resources, the Exchange shall claim the difference from the Member in accordance with 7.6.3.6.

7.6.3.6. The Exchange shall claim the Member whose obligations were executed through effecting the sell-out to pay the difference referred to in 7.6.3.5.

7.6.3.7. If the Member that is required to cover the payments made from the Exchange guarantee fund does not pay the debt by the date set by the Exchange, the Exchange has the right to implement against the Member any sanctions provided by the Rules and Regulations of the Exchange.

7.6.3.8. If the amount received from the sales of the securities is larger than the payment made from the Exchange Guarantee Fund in order to secure the settlement of the transaction, the Exchange shall transfer the amount serving as the difference in the prices to the guarantee fund.

7.6.3.9. The Exchange Member securing of whose obligations caused reduction of the amount of the guarantee fund shall compensate in addition to payments made on the account of the guarantee fund, all other costs and expenses per each trading day within the deadline and in accordance with the terms and conditions laid down by the Exchange.

#### 7.6.4. Extraordinary situations

7.6.4.1. For the settlement of an exchange transaction the buy-in and the sell-out shall not be effected when the difference between the contract price of the securities and the buy-in or sell-out price exceeds the total amount of the Exchange guarantee fund.



- 7.6.4.2. If the buy-in or a sell-out of securities is not effected, the Exchange shall declare the transaction a failed transaction, and shall immediately inform the parties to the transaction thereof.
- 7.6.4.3. If the account operator fails to perform the settlement the Exchange guarantee fund resources are not sufficient for the settlement of exchange transactions, the Exchange shall declare all unsettled transactions of that account operator failed transactions.

**8. REPEALED****9. SANCTIONS**

If a Member fails to execute any of the obligations imposed on them by the provisions of these Settlement Rules or fails to execute them duly, the Exchange has the right to impose on such Member any of the sanctions and measures provided by the Rules and Regulations of the Exchange.