

APPROVED BY  
NASDAQ OMX Vilnius Board  
On 25 January 2010, Minutes No. 10-110

## **GUIDELINES**

### **On Order Placement Through Direct Market Access**

*In order to foster fair trading in financial instruments and to ensure efficient transactions, objective pricing of financial instruments, and error avoidance when placing orders, as well as to improve quality of services provided in the financial instruments market and ensure investor protection, AB NASDAQ OMX Vilnius, NASDAQ OMX Riga and NASDAQ OMX Tallinn (hereinafter collectively "**Baltic Exchanges**" or individually "**Exchange**"), prepared these guidelines (hereinafter "**Guidelines**") on order placement through Direct Market Access).*

The purpose of the recommendations provided in the Guidelines is to prevent and reduce the risk of possible errors and facilitate objective pricing of financial instruments. It is recommended to disclose publicly the information on the application of these Guidelines and on their parameters.

#### **1. DEFINITIONS**

1.1. **Order placement through Direct Market Access** – the process by which a Member, through the use of internet connection or other computer connections between the Member and its client, electronically and automatically transmits orders registered by the client directly into the trading system.

1.2. **The Latest Paid Price** is the latest paid price for the financial instruments in an automatically matched trade concluded in the trading session or manual trade (reported by specifying the trade type “standard”, with its price falling within the spread of demand and supply, except for manual trades in a number of cases, announcement of which through the information system was deferred) covering at least one Round Lot. The latest paid price shall be deemed the market price of the financial instrument. In this paragraph the market is understood as it is defined in the Membership and Trading Rules.

1.3. Other concepts used in the Guidelines have the same meaning as in the legal acts applicable to the Securities and Financial Markets in the jurisdiction of the relevant Exchange as well as Member Rules of the Exchange in question.

#### **2. LEGAL BACKGROUND**

- 2.1. Law on Markets in Financial Instruments of the Republic of Lithuania;
- 2.2. NASDAQ OMX Vilnius Membership and Trading Rules (article 4.6.3).

#### **3. THE SCOPE AND LIMITS OF APPLICATION**

3.1. The recommendations laid down in these Guidelines are applied to the Members of NASDAQ OMX Vilnius (hereinafter "**Member**") and cover only the orders accepted and transferred through Direct Market Access.

#### **4. RECOMMENDATIONS ON ORDER PLACEMENT THROUGH DIRECT MARKET ACCESS`**

4.1. Paragraph 4.6.1 of the NASDAQ OMX Vilnius Membership and Trading Rules establishes

that orders placed in the order book, automatically matched trades and manual trades must reflect the current market value of the financial instrument in question and constitute genuine orders and trades.

“Current market value” means a price, which, upon a comprehensive assessment, reflects the current pricing of the security in question. When assessing the current market value, consideration should be given to, among other things, the changes in the pricing of the financial instrument during the relevant Exchange day, the changes in the pricing of the financial instrument on previous Exchange days, the volatility of the financial instrument and the general changes in the pricing of comparable financial instruments and, where relevant, other particular conditions related to the trade or the orders. The validity of the order must be taken into consideration when assessing the price of the order.

4.2. Errors made in the course of placing orders to buy or sell financial instruments, may have a considerable impact on the pricing of the financial instruments or may provide misleading impression as to the supply or demand. Therefore the Members are recommended to take additional measures specified in these Guidelines to prevent and reduce the risk of possible errors when placing orders.

4.3. Pursuant to the article 4.6.2 of the NASDAQ OMX Vilnius Membership and Trading Rules, the Member should refuse from execution of the client's order if there are grounds to believe that such order fails to comply with the requirements of the article 62 clause 1, 2 and 3 and the article 63 of the Law on Markets in Financial Instruments of the Republic of Lithuania Securities Market Act or NASDAQ OMX Vilnius Membership and Trading Rules. Therefore, prior to accepting an order and placing it in the trading system through Direct Market Access, the Member is recommended to verify:

4.3.1. Whether the amount of cash (where an order is placed to buy financial instruments) or financial instruments (where an order is placed to sell financial instruments) in client accounts is sufficient to fulfill obligations after the order is executed. This recommendation shall not be applied in the cases where the Member has agreed with a client on the appropriate financial instruments' or cash lending arrangements, or has entered into other similar agreements that ensure discharge of the client's obligations.

4.3.2. Whether the price of the placed order is notably higher or lower than the latest paid price. Recommended price variation limits should not exceed +/-15% of the latest paid price. During the Opening Call Auction the latest paid price of a financial instrument should be replaced by the latest specified price of that financial instrument or by the calculated price after assessing the disclosed information about the financial instrument concerned if such information may have a considerable impact on the market price of that financial instrument. When the price in the placed order exceeds the limits, it is recommended to warn the client that the price in the order considerably differs from the latest paid price in the market and to demand additional confirmation of the order. If the price in the placed order differs by more than +/-30% of the latest paid price, the order may be rejected notifying the client thereof.

4.3.3. Whether the volume of the placed order is extraordinary if compared with the usually placed orders. In view of the regulations applied the financial brokerage firms, management companies and depositories that aim at preventing money laundering and (or) terrorist financing in compliance with the Money Laundering and Terrorist Financing Prevention Act, a 15000 EUR (or a corresponding sum in other currency) limit is recommended. In case the volume of the order exceeds this limit, the client should be warned that the volume of the order considerably differs from the usual order size. The recommended limit may be increased in case the client usually places larger orders.

4.3.4. Whether while executing the order a transaction executing the reverse direction order of the

same client will be concluded. If this recommendation is not complied with, the order must be rejected notifying the client thereof.

4.3.5. Whether the validity of the order is specified. The recommended validity of the orders placed by non-professional clients should not exceed 30 Exchange days. It is recommended prior to the beginning of the Exchange day to cancel client orders, the validity of which exceeds 30 Exchange days.

4.3.6. Whether the price of the order is clearly specified. It is recommended not to allow non-professional clients to place orders, the price of which is not clearly specified and, taking into consideration market conditions, can change even prior to the execution of the order. It is also recommended not to allow non-professional clients to place orders „at market price“. In the event this recommendation is not complied with, the Member should notify the client that the price of the order placed by him/her has not been clearly specified.

4.3.7. Whether the order corresponds to other criteria set by the brokerage company to avoid possible errors and to create preconditions for objective pricing of financial instruments.

## **5. FINAL PROVISIONS**

These recommendations are not compulsory; however, compliance with them would reduce the risk of possible errors or infringements, and would also help avoid possible conflicts and misunderstandings. By means of these recommendations the Members are provided with the objectives that should be pursued. The final decision on compliance with the recommendations set forth in the Guidelines as well as the responsibility for possible consequences of the implementation of the recommendations shall be taken by the Member.

**Chairman of the Board**

**ARMINTA SALADZIENE**