

CHAPTER VI

THE RULES OF PARTICIPATION OF THE STOCK EXCHANGE AND ITS MEMBERS IN THE PROVISION OF CLEARING AND SETTLEMENT

BRATISLAVA STOCK EXCHANGE

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Article 1

Introductory Provisions

- 1.1 The Rules of Participation of the Stock Exchange and Its members in the Provision of Clearing and Settlement (“the Rules” hereinafter) are issued by the Bratislava Stock Exchange (“the Stock Exchange” hereinafter) in compliance with §18 of the Act No 429/2002 (Coll.) on the Stock Exchange as amended by later legislation (“the Stock Exchange Act” hereinafter), and they primarily stipulate the Stock Exchange’s and its members’ procedure in the provision of clearing and settlement of stock exchange transactions and other transactions.
- 1.2 Stock exchange transactions comprise electronic order book transactions. Other transactions comprise direct deals and repo transactions (stock exchange transactions and other transactions hereinafter jointly referred to also as “transactions”).
- 1.3 In compliance with these Rules, the Stock Exchange also provides the clearing and settlement of special transactions – VP-transactions, to which appropriately apply the provisions of these Rules for stock exchange transactions and other transactions.
- 1.4 If the below-mentioned terms are used in further provisions of these Rules, they shall have the following meaning:
 - a) “CP” means a security/securities (in Slovak “**cenný papier/cenné papiere**”);
 - b) “State treasury bills” (in Slovak “**štátne pokladničné poukážky - ŠPP**”) means securities issued by the Slovak Republic to which (the securities) apply the provisions of §3 of the Act No 566/2001 (Coll.) on Securities and Investment Services and on Amendments and Supplements to Related Laws as amended later (the “Securities Act”) hereinafter;
 - c) “Clearing” is the determination of the level of the members’ financial obligations and claims resulting from concluded or reported transactions at the Stock Exchange, for the purpose of subsequent settlement of said transactions;
 - d) “Settlement” is the finalisation of a transaction/s, which, in the case of transactions with financial settlement, comprises the delivery of securities that have been the object of the transaction/s to individual counter-parties for a specified financial counter-value; in the case of transactions without financial settlement, it only includes the delivery of securities to the buying counter-parties;
 - e) “Clearing bank” is a Stock Exchange member – a bank or a foreign bank’s branch office, respectively, selected by an individual decision of another member. The clearing bank is authorised to open a financial account for another Stock Exchange member who requests for it. The clearing bank must ensure the sending of instructions and observe the time schedule of settlement of transactions, stipulated by the Stock Exchange according to these Rules;
 - f) “Central Depository” (“DCD” hereinafter) is an entity that performs activities pursuant to the Securities Act;
 - g) “T day” is the day of conclusion of a transaction/transactions;
 - h) In “T+x”, “x” refers to the number of stock exchange days since the T day;
 - i) “SD day” is the day of settlement of a transaction/s;
 - j) In “SD+x”, “x” refers to the number of stock exchange days since the SD day;
 - k) The continuous settlement tag (in Slovak “**priebežné vyrovnanie**” - “PV” hereinafter) is a datum indicating the option to continuously settle direct transactions and repo

transactions on a given T day with/without financial settlement, the object of which are securities. Direct transactions and repo transactions with a financial settlement requirement for a given T day can only be entered with the “PV” tag. The “PV” tag cannot be entered for VP-issues.

Article 2

Object of Clearing and Settlement

- 2.1 The object of clearing and settlement is the transactions in a security/securities which:
 - a) are registered in the DCD's registration and are traded in the euro currency (the “DCD/EUR type transactions” hereinafter);
 - b) are registered in the DCD's registration and are traded in a foreign currency (the (“DCD/CM type transactions” hereinafter) ;
- 2.2 The object of clearing and settlement of electronic order book transactions is the financial and capital settlement.
- 2.3 The object of clearing and settlement of direct transactions and repo transactions with financial settlement is the financial and capital settlement (“direct transactions and repo transactions with financial settlement” hereinafter).
- 2.4 The object of clearing and settlement of direct transactions and repo transactions without financial settlement is the capital settlement (“direct transactions and repo transactions without financial settlement” hereinafter).
- 2.5 The clearing and settlement of transactions is based on the trading results for a given stock exchange day, which (the results) a member obtains on the given stock exchange day - either as data or in written form - divided for each type of transaction according to Section 2.1 of this Article.
- 2.6 In Implementing Regulations, the Stock Exchange will stipulate details for the Stock Exchange and its members' procedure in ensuring the clearing and settlement of individual types of transactions.

Article 3

Conditions of Clearing and Settlement

- 3.1 With the DCD/EUR and the DCD/CM type transactions, a member is obligated to ensure that all the steps necessary for successful realisation of a securities transfer are taken at the DCD, as well as towards the Stock Exchange.
- 3.2 With the DCD/CM type transactions, a member is obligated:
 - a) to conclude an agreement with a clearing bank, based on which the member will have a financial account open with the clearing bank. A member is not required to conclude the agreement with the clearing bank, if the member is able to ensure the financial settlement of own transactions independently;
 - b) to authorise the Stock Exchange to place debit/credit commands related to the accounts according Section 3.2 a) of this Article, except for those members who ensure the financial settlement of own transactions independently;
 - c) to notify the Stock Exchange of the name of the clearing bank with which the member has concluded the agreement according to Section 3.2 a) of this Article, provide to the Stock Exchange identification data of the financial account that the

member has opened with the clearing bank for the purpose of financial settlement of the DCD/CM type transactions, or inform the Stock Exchange that the member itself will independently function as a clearing bank for own transactions.

- 3.3 The provisions on clearing bank appropriately apply also to the member that ensures the financial settlement of own transactions independently.

Article 4

Suspension of the Right for Disposal

- 4.1 In compliance with §28 Section 3 Subsection c) of the Securities Act, the Stock Exchange is entitled to place a command to register suspension of the right for disposal (in Slovak: “pozastavenie práva nakladať” – “PPN” hereinafter) to the DCD or to its member, if a book-entry security is to be sold on the Stock Exchange.
- 4.2 Unless a selling member itself has placed a command to register a PPN in compliance with §28 Section (3) Subsection b) of the Securities Act, the selling member can request that the Stock Exchange place the command to register a PPN according to the Section 4.1 of this Article.
- 4.3 With the DCD/CM type transactions with financial settlement, a command to register a PPN is placed by the Stock Exchange and the selling member is obligated to allow the Stock Exchange to do it¹. Failure to comply with this obligation can result in a transaction not being settled on a stipulated SD.

Article 5

Transaction Settlement Method

- 5.1 In electronic form and/or by fax, the Stock Exchange places the following commands on a member's behalf:
- a) a command for settlement to the DCD, for the DCD/EUR and DCD/CM type transactions;
 - b) for the buyer's clearing bank, to make payment in a foreign currency in favour of the seller's account, for the DCD/CM transactions.
- 5.2 The settlement of the DCD/EUR type transactions shall be performed by the DCD in compliance with the schedule of the Rules of Operation of the DCD.
- 5.3 The clearing of liabilities and claims resulting from the DCD/EUR type transactions shall be performed by the DCD using the “gross method”.
- 5.4 The settlement of the DCD/CM type transactions shall be intermediated by the Stock Exchange in the following two stages:
- a) The covering of debits (commands for registration of the PPN with a security/securities at the DCD in relevant DCD accounts, a command to the buyer's clearing bank to make payment in a foreign currency in favour of the seller's account);
 - b) The sending of the command for settlement to the DCD.

¹ I.e. when a command to register a PPN is sent by the Stock Exchange, a member's PPN (pursuant to §28 Section (3) Subsection b) of the Securities Act) must not be entered in a given owner's account at the DCD for securities that have been the object of the Stock Exchange's PPN or, respectively, the member must in this case allow the Stock Exchange to change its PPN to the Stock Exchange's PPN.

- 5.5 If it is not possible to settle a stock exchange transaction or its part, or to send it for settlement, respectively, due to a malfunction of the Stock Exchange's technical and/or software facilities, a malfunction of technical equipment beyond the reach of the Stock Exchange, an electricity supply failure, a natural disaster, a strike, a force majeure, or due to other fact or event partially or entirely limiting the clearing and settlement of transactions or the intermediation of transaction settlement, respectively, on the due date of settlement, the Stock Exchange shall notify the members of this fact and shall stipulate a new SD and the manner of settlement once it has been agreed with the members. This shall not in any way affect the members' obligations in ensuring the clearing and settlement of stock exchange transactions.

Article 6

Unsettled Transactions

- 6.1 If a transaction or its part, respectively, sent by the Stock Exchange to the DCD for settlement is not settled on a stipulated SD, based on information from the DCD the Stock Exchange shall notify the given transaction counter-parties of this fact and shall further proceed in compliance with the relevant provisions of the Stock Exchange Rules and Implementing Regulations.
- 6.2 If a direct transaction/repo transaction or its part, respectively, is not settled on the originally stipulated SD because of a failure to fulfil obligation by a counter-party to transaction, the counter-parties of such transaction or of its part, respectively, must immediately notify the Stock Exchange, in writing, of a new SD or request the Stock Exchange, in writing, to cancel the settlement.
- 6.3 Where it is not possible to cancel or settle a transaction or its part, respectively, in compliance with the Stock Exchange Rules and/or the Rules of Operation of the DCD, such transaction or its part, respectively, shall be deemed as an unsettled transaction or unsettled part of transaction, respectively.

Article 7

Obligations of Stock Exchange and Its Members; Responsibility for Damages

- 7.1 When participating in the provision of clearing and settlement, the Stock Exchange and its members are required to proceed in compliance with the generally binding legal regulations, the Stock Exchange Rules and Implementing Regulations.
- 7.2 In their activities pursuant to the preceding Section, the Stock Exchange and its members are required to perform all actions necessary for the orderly and timely settlement of a legitimately concluded stock exchange transaction.
- 7.3 The Stock Exchange members shall answer for damages resulting from the fact that the respective requests for actions related to the clearing and settlement of transactions have been delivered with delay, incorrectly or incompletely, or in a form other than the required form stipulated in the Stock Exchange Rules.
- 7.4 The Stock Exchange shall answer for damages that it has caused by an incorrect, incomplete or delayed performance of actions necessary for the clearing and settlement of transactions.
- 7.5 The Stock Exchange shall not answer for damages that have resulted from a malfunction of technical equipment beyond the reach of the Stock Exchange, an electricity supply

failure, a natural disaster, a strike, a force majeure or other reason, or from an event partially or entirely limiting the clearing and settlement of transactions on the stipulated SD.

- 7.6 The members are liable to have all the necessary documents that are required for this activity by the generally binding legal regulations or by the DCD, respectively, for every request to execute actions at the DCD, which the Stock Exchange submits on their behalf to the DCD.
- 7.7 The Stock Exchange shall not answer for damages that occur after the Stock Exchange's commands for settlement of book-entry securities, which are the object of transactions, are received by the DCD.

Note: Only the Slovak version of this document is legally binding.