



## **REGULATIONS OF CLEARING AND DEPOSITORY CORPORATION ON SETTLEMENT OF OFF-MARKET TRANSACTIONS ON DELIVERY VERSUS PAYMENT BASIS**

Consolidated text, which includes the following:

- ***regulations on settlement of off-market transactions on delivery versus payment basis accepted by the Management Board and the Board of Directors on 21 December 2004***
- ***changes and amendments of regulations on settlement of off-market transactions on delivery versus payment basis accepted by the Management Board and the Board of Directors on 12 September 2007***

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## 1. GENERAL PROVISIONS

### *Application of regulations*

#### Article 1

These regulations apply to the following legal relationships regarding settlement of off-market transactions on delivery versus payment basis:

1. rights and obligations of KDD to registry members,
2. rights and obligations of registry member to buyer or seller being the party of this transaction,
3. rights and obligations of KDD against buyer or seller being the party of this transaction and
4. rights and obligations between buyer and seller being parties of this transaction.

### *Definitions of terms*

#### Article 2

(1) Terms used in these regulations have the following meaning:

1. **rules:** the Operations Rules of KDD – Central clearing and depository corporation Inc., Ljubljana,
2. **off-market transaction:** the sale contract:
  - whose object are dematerialised securities
  - where purchase price is paid in euros and
  - not executed on an organized market,
3. **BPRČ payment system:** the payment system for gross settlement of real-time payments which enables final settlement in central bank currency.
4. **order for DVP settlement:** the seller's order for transfer of securities being the object of off-market transaction, by debiting the seller's dematerialised securities account and crediting the buyer's dematerialised securities account, for DVP settlement of obligation established on the basis of an off-market transaction,
4. **buyer's registry member:** the registry member maintaining the buyer's dematerialised securities account to whose credit the order for DVP settlement shall be executed,
5. **seller's registry member:** the registry member maintaining the seller's dematerialised securities account to whose debit the order for DVP settlement shall be executed,
6. **buyer's bank:** the bank maintaining the buyer's transaction account to whose debit the purchase price shall be paid on the basis of an off-market transaction,
7. **user manual:** as defined in Point 3 Paragraph 1 Article 2 of regulations on KDD members.

(2) Terms and abbreviations defined in the rules are applied in these regulations with the same meaning as in the rules.

### *Off-market transactions being the object of DVP settlement*

#### Article 3

(1) The object of DVP settlement pursuant to these regulations is only an off-market transaction that is to be fulfilled on the day the order for DVP settlement is entered in the information system.

(2) The object of DVP settlement of an off-market transaction pursuant to these regulations may only be dematerialised securities entered in the central registry not being the object of any third party right or legal deed.

### *Legal relationship between KDD and buyer's or seller's registry member*

#### Article 4

(1) KDD is obliged under the requirements and in the manner set forth by these regulations:

1. to ensure requirements to seller's registry member for the use of information system of dematerialised securities accounts maintenance, for the entry of order for DVP settlement and to ensure requirements to buyer's registry member for the confirmation of this order,

2. to accept from buyer in deposit in custody the monetary amount required for payment of purchase price on the basis of an off-market transaction and

3. to execute legal acts of DVP settlement of obligations from an off-market transaction.

(2) Buyer's registry member and seller's registry member are obliged to pay KDD a compensation for services under Paragraph 1 of this Article set forth by KDD's tariff.

***Legal relationship between buyer's registry member or seller's registry member and buyer or seller***

Article 5

(1) Seller's registry member is liable in relation to seller for the accuracy of data on off-market transaction comprised in the order for DVP settlement entered by the seller's registry member.

(2) Buyer's registry member is liable in relation to buyer for the accuracy of data on off-market transaction comprised in the order for DVP settlement confirmed by the buyer's registry member.

***Legal relationship between KDD and the buyer or seller***

Article 6

(1) KDD is in relation to seller and buyer obliged under requirements and in the manner set forth by these regulations:

1. to execute the entered and confirmed order for DVP settlement,

2. to accept from buyer in deposit in custody the monetary amount required for payment of purchase price and to execute the payment of purchase price to seller.

(2) KDD is not liable to buyer or seller for incorrect fulfilment of obligations from off-market transaction, if the reason for such fulfilment is inaccurate data on the contents of off-market transaction in the entered and confirmed order for DVP settlement.

(3) Buyer and seller may not enforce in relation to KDD the oppositions against the other party of off-market transaction or the oppositions from their relationship with the registry member.

***Legal relationship between buyer and seller***

Article 7

These regulations apply to evaluation of mutual rights and obligations of buyer and seller regarding the time limit and manner of fulfilment of their mutual obligations established with the execution of off-market transaction:

1. if they agreed that the fulfilment of these obligations shall be performed pursuant to these regulations and

2. if each of them authorised its registry member for the entry or confirmation of order for DVP settlement.

***Clearing settlement account of KDD***

Article 8

(1) ***Clearing settlement account*** is KDD's fiduciary bank account pursuant to Paragraph 1 Article 94 of the rules, through which payments are executed with respect to payment of purchase price on the basis of off-market transaction pursuant to these regulations.

(2) Number of clearing settlement account is 01000-0007900054.

## 2. ENTRY AND CONFIRMATION OF ORDER FOR DVP SETTLEMENT

### ***Contents of order for DVP settlement***

#### Article 9

(1) The order for DVP settlement shall comprise:

1. the designation and the quantity of securities,
2. the monetary amount of purchase price denominated in euros,
3. the number of seller's bank account to whose credit the purchase price shall be paid,
4. other data that each order for transfer of dematerialised securities shall comprise.

(2) It is considered that the order for DVP settlement comprises also the seller's authorisation to KDD to execute the transfer of securities, being the object of order, by debiting the seller's dematerialised securities account, if the buyer pays the purchase price pursuant to these regulations.

### ***Entry of order for DVP settlement***

#### Article 10

(1) Seller's registry member is authorised for entry of order for DVP settlement.

(2) The provisions of rules and regulations of KDD on central registry maintenance with respect to holder's order apply to the order for DVP settlement.

### ***Rejection of entry of order for DVP settlement***

#### Article 11

(1) KDD rejects the entry of order for DVP settlement:

1. if the prerequisites for execution of order from Points 1, 2 or 4 Paragraph 1 Article 79 of the rules are not fulfilled,
2. if dematerialised securities, being the object of entered order, are the object of a third party right or a legal deed.
3. if the number of seller's bank account is not in accordance with the control algorithm.

(2) KDD notifies the seller's registry member on the rejection of entry of order for DVP settlement electronically through the information system of dematerialised securities accounts maintenance.

### ***Appointment of order's reference number***

#### Article 12

(1) If no impediments exist for the execution of order for DVP settlement under Paragraph 1 Article 11 of these regulations, KDD shall appoint the order's reference number immediately upon the seller's registry member entering the order for DVP settlement.

(2) KDD notifies the seller's registry member and the buyer's registry member on the appointment of order's reference number electronically through the information system of dematerialised securities accounts maintenance.

### ***Confirmation of order for DVP settlement***

#### Article 13

(1) The buyer's registry member is authorised for confirmation of order for DVP settlement.

(2) The buyer's registry member confirms the order for DVP settlement with the entry of data on confirmation of order in the information system of dematerialised securities accounts maintenance in the manner, explained in detail in the user manual.

(3) It is considered that with the confirmation of order for DVP settlement, the buyer's registry member confirmed the accuracy of data on off-market transaction and on the manner of its fulfilment, comprised in the entered order.

(4) If the buyer's registry member confirmed the order for DVP settlement by debiting the seller's account to whose debit the order for DVP settlement shall be executed, it is not permitted to execute any order entered in the central registry after the moment of confirmation of order for DVP settlement, if due to execution of this end order it were not possible to execute the order for DVP settlement by debiting this seller's account.

***Rejection of confirmation of order for DVP settlement***

Article 14

(1) The buyer's registry member rejects the confirmation of order for DVP settlement with the entry of data on rejection of confirmation of order in the information system of dematerialised securities accounts maintenance in the manner, explained in detail in the user manual.

(2) If the buyer's registry member rejects the confirmation of order for DVP settlement, the buyer's registry member shall immediately notify the seller's registry member on the reasons therefore electronically through the information system of dematerialised securities accounts maintenance.

(3) It is considered that the buyer's registry member rejected the confirmation of order for DVP settlement, if it does not confirm the order until 3.30 pm on the day the order was entered.

(4) If the buyer's registry member rejects the confirmation of order for DVP settlement, KDD deletes the entered order from the information system of dematerialised securities accounts maintenance.

### **3. MANNER OF DVP SETTLEMENT OF OFF-MARKET TRANSACTION**

#### ***Deposit of purchase price***

##### **Article 15**

(1) The buyer shall ensure that its bank executes through the BPRČ payment system its payment order for monetary amount of purchase price, indicated in the order for DVP settlement, by crediting KDD's clearing settlement account.

(2) The payment order under Paragraph 1 of this Article shall comprise the following data:

1. the designation of the type of transaction: F1230,

2. the reference to the number of approval:

– the fore-field (module): 01

– the reference number of the order,

3. other data that the payment order shall comprise pursuant to the rules of BPRČ payment system.

(3) The buyer fulfils the obligation of deposit of purchase price due to DVP settlement of off-market transaction pursuant to these regulations, only if the payment of the entire amount of purchase price is executed on the basis of one payment order comprising the accurate data under Paragraph 2 of this Article.

(4) If on the basis of a respective payment order, a monetary amount is deposited being smaller or larger than the entire amount of purchase price, indicated in the order for DVP settlement, or if in payment order an incorrect reference number is indicated, KDD returns the remitted amount by crediting the account to whose debit the amount was paid. In case from precedent sentence, it is considered that the buyer did not fulfil the obligation to deposit purchase price.

#### ***Procedures in case the buyer does not deposit purchase price***

##### **Article 16**

(1) KDD rejects the execution of the confirmed order for DVP settlement from the information system of dematerialised securities accounts maintenance, if the buyer does not deposit the purchase price until 3.30 pm on the day of entry and confirmation of order for DVP settlement pursuant to Article 15 of these regulations.

(2) KDD shall notify the seller's registry member on the rejection of execution of confirmed order for DVP settlement pursuant to Paragraph 1 of this Article electronically through the information system of dematerialised securities accounts maintenance.

(3) If KDD rejects the execution of confirmed order, it deletes the entered order from the information system of dematerialised securities accounts maintenance.

#### ***Payment of purchase price to seller***

##### **Article 17**

(1) If the buyer deposits the purchase price pursuant to Article 15 of these regulations, KDD shall within 30 minutes after execution of buyer's payment order under Paragraph 1 Article 15 by crediting clearing settlement account, pay the monetary amount of deposited purchase price by debiting KDD's clearing settlement account and crediting the seller's bank account, indicated in the entered and confirmed order for DVP settlement.

(2) Paragraph 2 Article 15 of these regulations applies to payment order under Paragraph 1 of this Article, unless the seller determines other data on reference number.

***Transfer of securities by crediting buyer's account***

Article 18

(1) If the buyer deposits the purchase price pursuant to Article 15 of these regulations, KDD shall upon receiving the confirmation through BPRČ payment system that its order for payment of purchase price to seller under Paragraph 1 Article 17 of these regulations was executed, execute the seller's order for DVP settlement by transferring the securities, being the object of order, by debiting the seller's account and crediting the buyer's dematerialised securities account.

#### **4. TRANSITIONAL AND FINAL PROVISIONS**

##### ***Application of regulations***

###### Article 19

The application of these regulations begins with the application of rules pursuant to Paragraph 1 Article 189 of the rules.

##### ***Termination of validity of previous regulations***

###### Article 20

(1) With the enforceability of these regulations, the Regulations on fulfilment of obligations from transactions executed out of regulated stock exchange market («OTC-DVP transactions») cease to be valid.

(2) Regulations under Paragraph 1 of this Article are applicable until these regulations become applicable.

##### ***Enforceability of regulations***

###### Article 21

These regulations become enforceable on 1 January 2005.

##### ***Transitional provision to the resolution on changes to regulations dated 12 September 2007***

###### Article 4

Changes to regulations become effective on 1 November 2007.