

KDD OPERATIONS RULES

KDD Central Securities Clearing Corporation



1. GENERAL PROVISIONS

Subject of Rules

Article 1

(1) These Rules regulate in detail the maintenance of the central registry of dematerialised securities pursuant to the Dematerialised Securities Act (ZNVP-1), the Financial Instruments Market Act (ZTFI), the Takeovers Act (ZPre-1) and other acts.

(2) The central registry is considered as the settlement system as per Paragraph 1, Article 20 of ZTFI. Members of the settlement system in the sense of Paragraph 1, Article 20 of ZTFI include system members of KDD.

(3) These Rules shall be implemented in the respective applicable version in legal relations between KDD and users of its services.

Definition of Used Abbreviations

Article 2

Abbreviations used herein shall have the meanings set forth below:

1. **KDD** is KDD – the Central Securities Clearing Corporation, included in T2S;
2. **Agency** is the Securities Market Agency;
3. **Stock exchange** is the Ljubljana Stock Exchange;
4. **Securities** are dematerialised securities;
5. **Central registry** is the central dematerialised securities registry maintained by KDD;
6. **Information system** is the central registry information system;
7. **T2S (TARGET2-Securities)** is a single technical platform owned by the Eurosystem central banks, the objective of which is the settlement of securities transactions;
8. **Business day** is a business day in compliance with the applicable regulations of the Republic of Slovenia;
9. **CASG/CAJWG** are international standards for corporate actions implemented by T2S and adopted by the *Corporate Actions Sub-Group* or rather *Corporate Actions Joint Working Group*.

Regulations, General Terms and Tariff

Article 3

(1) KDD regulations set out in greater detail the terms of performing KDD services regarding the maintenance of the central registry or rights and obligations of KDD and the users of its services in relation herewith.

(2) KDD general terms set out in greater detail the terms of performing other KDD services in addition to the maintenance of the central registry or rights and obligations of KDD and the users of its services in relation herewith.

(3) The KDD tariff sets forth the rate of compensation that KDD is entitled to for the execution of its services, the entities liable for payment of compensation and deadlines for payment of said compensation. Unless expressly provided otherwise, KDD shall not be obliged to render a service until due compensation has been paid.

(4) KDD regulations, general terms and tariff shall be implemented in their respective applicable version in legal relations between KDD and users of its services. In the event of any discrepancy between provisions of these Rules and provisions of KDD regulations, general terms and tariff, the former shall prevail.

KDD Securities Fiduciary Account and Fiduciary Cash Account

Article 4

(1) KDD securities fiduciary account is a securities account held by KDD and an account that is credited or debited for the transfer of securities received or performed by KDD on account of others in rendering its services. In relation to KDD creditors, securities transferred in credit of the KDD securities fiduciary account shall be considered as securities of entities on account of whom KDD has received these securities.

(2) A fiduciary cash account is a bank cash account held by KDD to which creditors cannot assert any claims. In relation to KDD creditors, the balance on the fiduciary cash account shall be considered as credit of entities on account of whom KDD has received payments in credit of said account.

(3) DCA KDD is a dedicated cash account held by KDD in the TARGET2-Slovenija system.

(4) KDD may hold several securities fiduciary accounts or fiduciary cash accounts.

2. KDD MEMBERS

2.1. COMMON PROVISIONS

KDD Members

Article 5

(1) Members of KDD are members-issuers and system members. Types of membership are not mutually exclusive.

(2) **A member-issuer** is an entity issuing securities entered in the central registry.

(3) **A system member** is an entity enabled by KDD to send orders or parts thereof and other notifications to the central registry.

(4) Under the terms set forth herein, a system member can also participate in the settlement of stock exchange transactions.

(5) A system member shall send orders, parts of orders or other notifications for processing in the information system within the scope of their legal capacity, by email and according to the standardised method as set forth by the regulations.

(6) The provision under paragraph 5 shall also be reasonably applied to other members-issuers.

(7) An individual system member may, subject to KDD's permission and within the scope of technical capacity of the information system, act as a holder of rights and obligations on their own behalf as well as for the account of another system member. If a system member acting for the account of another system member does so in their own name, then such a system member shall be in a direct relationship with KDD as regards the respective rights and obligations (a commission agent). If a system member acting for the account of another system member does so in the name of that system member, then such a system member shall not be in a direct relationship with KDD as regards the respective rights and obligations (a performing member/member's agent). This involves the central bank of another member state or the European Central Bank agreeing with the exercise of rights or fulfilment of obligations in full by the Bank of Slovenia.

(8) Should a system member or their client wish to have a direct connection to T2S (as a DCP – Directly Connected Party), they shall inform KDD thereof at least 12 months prior to commencing such use.

General Terms of Membership

Article 6

(1) Any entity may become a member-issuer.

(2) A system member shall meet the requirements set forth in sectoral legislation as well as the terms set forth herein. If a system member is an entity incorporated under the Slovenian law, the sectoral legislation shall include the Financial Instruments Market Act, the Banking Act, the Investment Funds and Management Companies Act and related subordinate regulations.

(3) A system member:

1. shall have a status of a taxpayer in accordance with the law governing the tax procedure, or they shall make sure that another KDD system member that has the status of a taxpayer acts for their account as a commission agent, and

2. shall ensure the use of a dedicated cash account (DCA) in T2S, whereby they shall have a separate DCA should they wish to participate in the settlement of stock exchange transactions.

In the case referred to in paragraph 7 of Article 5, the condition specified under item 1 must be met by a member that is in a direct relationship with KDD as regards payments from securities.

(4) KDD shall not control the fulfilment of conditions under paragraph 2 of this Article in case of system memberships of the Bank of Slovenia, central banks of another member state or of the Central European Bank.

Acquiring Member Status

Article 7

(1) Membership status is acquired by entering into a membership agreement with KDD.

(2) Without prejudice to the provision under paragraph 4 of Article 6 hereunder, KDD shall conclude a system membership agreement with an entity under paragraph 2 of Article 6 hereunder after the entity has shown that they meet all the requirements. The evidence of the fulfilment of requirements set forth in sectoral legislation shall be submitted in the form of a permit issued by the competent authority to perform certain types of services, and in the form of a certificate of this competent authority that no action has been taken against the entity that would prevent the system membership, and that there are no justified reservations hindering the membership.

(3) KDD shall notify the following of a new system member: the Stock Exchange, the Agency, Bank of Slovenia and other system members.

- (4) KDD shall also inform the Agency of any new member-issuer.

Termination of Membership

Article 8

(1) A member-issuer membership shall terminate upon deletion of all securities regarding which the said member is registered as the issuer from the central registry.

(2) The status of a system member shall terminate upon cancellation or exclusion.

(3) KDD shall notify the following on the cancellation or exclusion of members pursuant to paragraph 2 hereinabove: the Stock Exchange, the Agency, Bank of Slovenia and other system members.

(4) KDD shall also inform the Agency of any termination of membership of a member-issuer.

2.2. MEMBERS -ISSUERS

Issuer Membership Agreement

Article 9

(1) By entering into an issuer membership agreement, KDD undertakes to enter a certain type or certain types of securities issued by the respective member into the records of issued securities pursuant to Article 42 of ZNVP-1 and allow entries regarding these securities in the central registry, while the member-issuer undertakes to fulfil due obligations as set forth under the respective applicable version of these rules, regulations and tariff. If there should be a change of the member-issuer of debt securities due to universal legal succession as a result of material status restructuring, KDD shall effect due changes in the records of issued securities under Article 42 of ZNVP-1.

(2) In addition to services under paragraph 1 hereof, KDD shall enable the member-issuer of securities due access to the share register or to the register of holders of other registered securities.

(3) In addition to services under paragraph 1 hereof, KDD shall issue certificates to members-issuers that are holders of bearer securities under Article 43 of ZNVP-1 when this is required for the exercise of their rights.

(4) The record of issued securities from paragraph 1 hereof and the share register or register of holders of other nominal securities from paragraph 2 hereof are public, with the exception of personal ID numbers of private individuals. KDD ensures insight and extract of data from said records within two business days from receiving due request or within two business days of payment of due compensation if such payment is anticipated by the tariff. Information on records of issued securities (personal ID

numbers and classification of types of securities entered in the records, including members issuing said securities) shall be published by KDD on its website.

2.3. SYSTEM MEMBERS

System Membership Agreement

Article 10

By entering into a system membership agreement, KDD undertakes to allow the respective system member to use the information system for the purpose of sending orders, parts thereof or other notifications to the central registry under the terms and in the manner set forth under the respective applicable version of these rules and regulations, while the system member undertakes to meet the obligations under the respective applicable version of these rules, regulations and tariff.

Roles of a System Member

Article 11

(1) A system member under paragraph 2 of Article 6 hereunder may send orders, parts of orders and other notifications for processing in the central registry when acting in the role of a holder's member, pledge member or an executive member. A system member shall act in the role of a holder's member when they submit orders, parts thereof or other notifications in favour of a holder (hereinafter: *holder's member*); they shall act in the role of a pledge member when they submit the above mentioned documents in favour of a pledge creditor (hereinafter: *pledge member*); they shall act in the role of an executive member when they submit the orders and notifications upon the authorisation from a judicial authority (hereinafter: *executive member*). A system member shall provide appropriate legal basis for every order, part of order or other notification submitted for processing in the central registry.

(2) A system member that would like to participate in the settlement of stock exchange transactions must meet all the requirements as well as make a required payment to the guarantee fund prior to their participation. A system member that would no longer like to participate in the settlement of stock exchange transactions may withdraw with a notice period of two months, commencing on the first day of the month following the month in which KDD received their written notice of withdrawal.

Supervision over System Members

Article 12

- (1) KDD shall supervise system members with the purpose of providing adequate risk management.
- (2) The supervision shall include the following:
 1. KDD shall monitor whether a system member fulfils their payment obligations arising from the membership to KDD or to other system members in due time;
 2. KDD shall have access to members' dedicated cash accounts (DCAs) in the TARGET2-Slovenija system;
 3. KDD may request a system member to submit adequate evidence of their solvency or to submit their management accounts.

Temporary Restriction of Access to the Information System

Article 13

- (1) If the Agency, Bank of Slovenia or another competent supervisory body of a member state or the said member's home country issues a temporary provision preventing the said member to use in part or in full the information system for the purpose of sending orders, parts thereof or other notifications to the central registry, or to participate in stock exchange transactions, KDD shall, following the receipt of notice of such provision, block access to the information system for the duration of the provision in the due scope and within the scope of technical capacity.
- (2) If a system member is late with the payment of their obligations arising from the membership or if they are in breach of obligations regarding the terms required under the applicable rules or regulations or if they do not provide adequate evidence of their solvency, KDD may block the said member from accessing the information system in part or in full.
- (3) A system member that does not provide sufficient funds in their DCA account for the settlement of their net payment obligations by date of maturity, and does not allocate the stock exchange transaction or make a payment into the guarantee fund, may be temporarily prevented by KDD from using the information system for the settlement of stock exchange transactions. A system member failing to provide sufficient balance of securities in the accounts of sellers may be temporarily suspended by KDD from the information system as regards the settlement of stock exchange transactions, but only after KDD has consulted with the respective member and only with the beginning of the day following the due date of said obligation. In deciding on temporary suspension, KDD shall also consider the aspect of risk management in addition to the actual breach of obligations of the system member.

(4) The respective system member's obligations shall not terminate while its access to the system is temporarily suspended. KDD shall allow the member to use the information system again when the reasons for restriction cease to exist.

(5) KDD shall inform the Stock Exchange, Agency, Bank of Slovenia and other system members of the temporary suspension, reactivation and reasons for such a measure.

Cancellation of System Membership

Article 14

A system member may cancel their membership with a cancellation statement, which shall become effective on the first day of the month following the month in which said member stops acting in the role of a holder's member, pledge member or executive member. If the system member participates in the settlement of stock exchange transactions, the period of notice cannot be shorter than two months.

Exclusion of a System Member

Article 15

(1) KDD shall exclude a system member if the respective member's permit on the basis of which they had acquired the status of a system member has been revoked or if an authority responsible for the supervision of the system member informs KDD that an action has been taken against the said member that prevents the system membership or that there are other reservations hindering the membership.

(2) KDD may exclude a system member:

1. if the member fails to make their payment arising from membership and if the said payment is not made within eight days of the receipt of the payment reminder;
2. if the member does not provide sufficient funds in their DCA account for the settlement of their net payment obligations in due time;
3. if the member has been late in making due payments arising from the membership more than twice within a period of six months or if, in that same period, they have not provided sufficient funds for the settlement of their net payment obligations;
4. if the member fails to meet the terms required under these rules or regulations, and fails to remedy this breach within eight days of receiving due notice;
5. if the member breaches obligations under item 3 hereof within a period of six months;
6. if the member fails to meet the conditions regarding their solvency;

7. based on any other due grounds for exclusion as set forth herein.

(3) If a system member is excluded, KDD shall allow said member to use the information system within the scope necessary to cease all actions in the roles of a holder's member, pledge member or executive member.

(4) Obligations of system members set forth under applicable rules, regulations and tariff shall remain effective until the end of the month in which a system member stops acting in the role of a holder's member, pledge member or executive member.

3. CENTRAL REGISTRY STRUCTURE

Maintenance of the Central Registry

Article 16

Maintenance of the central registry means any entries made in the central registry as well as maintenance of other data in the central registry pursuant to the law, rules and regulations.

Securities Account

Article 17

- (1) The central registry is made up of securities accounts (hereinafter: accounts).
- (2) **An account** is a method of recording securities owned by the same person or entity.
- (3) The same person or entity may hold several accounts.

Auxiliary Account

Article 18

- (1) **An auxiliary account** is a method of recording the number of securities for a specific purpose.
- (2) An auxiliary account does not have an owner.

Sub-Account

Article 19

A sub account is a method of recording encumbrances relating to securities crediting said account.

Classification of Securities

Article 20

(1) To classify the respective types (genus) of mutually exchangeable securities a uniform identification shall be assigned to securities based on the corresponding international standard. In addition to the uniform identification, KDD may also assign a uniform abbreviated name to an individual type of mutually exchangeable securities, which shall be in compliance with the relevant international standard, as well as abbreviated code.

(2) The uniform identification and abbreviated identification of securities is assigned by KDD upon initial issue of securities. The uniform identification and abbreviated code of the same type of securities shall not change.

(3) Upon request by an eligible person, KDD may also assign the uniform identification, the uniform abbreviated name and abbreviated code to other mutually exchangeable financial instruments that have not been issued as securities in the central registry.

Maintaining an Account and Maintaining the Balance of Securities

Article 21

(1) ***Maintaining an account*** means:

1. maintaining statistical data on the account and
2. the technical capacity of a system member to send orders, parts thereof and other notifications of the holder of said account, and the technical capacity of KDD to process the orders, parts thereof and other notifications in respect of said account.

(2) ***Maintaining the balance of securities*** means recording the balance of securities based on respective entries pursuant to Article 15 of ZNVP-1 (issue, deletion, replacement and transfers of securities, and entries, changes, or deletion of encumbrances).

(3) The statistical data on the account include data that shall not be subject to change pursuant to Article 15 of ZNVP-1, such as data on the account holder, data on the pledge creditor, type of account and the system member maintaining the account.

Types of Accounts in the Central Registry

Article 22

(1) The types of accounts are as follows:

1. a client account;
2. a house account;
3. temporary accounts formed due to the transformation of terminated registry accounts;
4. a dereliction account (Paragraph 2, Article 63 hereof),
5. a deposit-in-court account (Paragraph 3, Article 64 hereof).

(2) ***A client account*** is an account maintained by an appointed system member.

(3) **A house account** is an account maintained by a system member with a balance of securities held by said system member for its own account.

(4) **A temporary account** is a transitive account that is not maintained by any system member and an account that is legally required to be debited for the transfer of all securities.

(5) Special types of client accounts include:

1. **a portfolio account** maintained by a holder's member for those securities that the respective member is rendering securities management services for on behalf of the account holder;

2. **a custody account** maintained by a holder's member having a custody relationship with the holder;

3. **a fiduciary account** maintained by a holder's member on behalf of the holder that holds securities credited to said account for the account of third parties;

4. **a pledge account** maintained by a pledge member for those securities that the same member has pledged to the same pledge creditor;

5. **a takeover account** (Paragraph 2, Article 48 hereof).

(6) A dereliction account and a deposit-in-court account shall be maintained by KDD.

Technical Settlement Accounts in T2S

Article 23

(1) Every client account and every house account is mapped to exactly one technical settlement account in T2S.

(2) If a holder does not request their account to be mapped to a technical settlement account in T2S to which no other client or house account has been mapped (1:1 method of mapping), KDD shall map the account to a technical settlement account belonging to the system member maintaining the holder account (N:1 method of mapping).

(3) All temporary accounts are mapped to one technical settlement account in T2S (N:1 method of mapping). A dereliction account and a deposit-in-court account shall also be mapped to one technical settlement account in T2S.

(4) Balances on accounts in the central registry must correspond to the balances on technical settlement accounts in T2S.

Types of Auxiliary Accounts in the Central Registry

Article 24

(1) The types of auxiliary accounts are as follows:

1. a joint account;
2. a transitive account;
3. a control account and
4. a summary account.

(2) **A joint account** is used to record the number of securities that constituted the subject of a stock exchange transaction, entered into in trading for a joint account.

(3) **A transitive account** is used to record the number of securities that constitute the subject of issue, deletion or replacement.

(4) **A control account** is used to record the opposite (negative) number of securities that constitute the subject of issue.

(5) A special type of joint account, which is used in relation to stock exchange transactions concluded in trading by the same stock exchange member for a joint account of holders of custody accounts in relation to which the same system member acts as the custodian is a **joint custodian account**.

(6) **A summary account** is used to record the accounts in the central registry with the N:1 method of mapping and which are mapped to the same technical settlement account in T2S.

Data on Account Holders

Article 25

(1) The following data is maintained on an account holder:

1. uniform identification of a holder, whereby the holder in the central registry may have only one uniform identification;
2. if the holder is a private individual: their name and surname and address of permanent residence;
3. if the holder is a legal entity: the name of the company and its business address;
4. if the holder is an estate with limited capacity to contract: the name or designation of the estate and data from items 1 to 3 hereinabove on the manager, umbrella fund or legal representative of the estate.
5. tax ID number.

(2) The uniform identification number of the holder shall be as follows:

1. if the holder is entered into the central population register: their personal ID number;
2. if the holder is entered into the business register: their registration number;
3. if the holder is not entered in the population register or the business register: KID.

(3) KID is a uniform identification number assigned by KDD to a holder upon request of a member that wants to open or maintain an account on said holder's behalf.

(4) The following data may also be maintained on an account holder:

1. a mailing address if it is different to the address of permanent residence or business address;
2. international Legal Entity Identifier - LEI;
3. other data pursuant to the regulations.

(5) The initial entry of data on the account holder is performed upon opening an account.

(6) The provisions under this article shall also be reasonably applied to other eligible parties.

(7) The international Legal Entity Identifier (LEI) may be assigned and maintained by KDD also upon request by an entity that is not an account holder.

Changes to Data on Account Holders

Article 26

(1) KDD automatically changes the data on account holders based on notification from competent authorities pursuant to Paragraph 4, Article 14 of ZNVP-1.

(2) KDD shall amend other data based upon request of an account holder or member maintaining an account on behalf of a holder.

(3) The provisions under this article shall also be reasonably applied to other eligible parties.

Special Rules for Fiduciary Accounts

Article 27

(1) Irrespective of Item 1, Paragraph 1, Article 25 of these rules, the holder of a fiduciary account shall be registered in the central registry with an assigned KID, which shall be assigned for the purpose of holding a fiduciary account.

(2) Next to the name and surname or company name of the holder of the fiduciary account there shall also be a note citing »fiduciary account«.

4. CORPORATE ACTIONS

4.1. GENERAL PROVISIONS

Obligation of Implementation through KDD or KDD Notification

Article 28

(1) Corporate actions are actions of a member-issuer of dematerialised securities which, pursuant to law and these rules, have to be performed through KDD or of which the member-issuer shall be obliged to inform KDD.

(2) When the applicant lodging an application for a corporate action is a third party and not a member-issuer, the provisions of these Operations rules governing the obligations of a member-issuer regarding corporate actions shall reasonably apply to third parties.

(3) Every transfer of securities planned within a corporate action shall be implemented:

1. only after the securities have been transferred between technical settlement accounts in T2S; the transfer of securities between the T2S technical settlement accounts shall not be a prerequisite for the transfer of securities within a corporate action if the latter does not require changes in the balance of securities in technical settlement accounts in T2S and will thus not result in different balances of securities in accounts in the central registry and technical settlement accounts in T2S, and

2. when the transfer is to be implemented against due payment: when the transfer of securities is implemented simultaneously with the transfer of a corresponding sum of money between the DCAs of system members or KDD.

(4) KDD shall not be responsible for the accuracy of information obtained from the records maintained by KDD during the implementation of a corporate action and regarding the securities involved in the corporate action, unless the information was provided by an entity responsible for the implementation of the corporate action and related to the very implementation thereof.

Key Dates for Implementation of Corporate Actions

Article 29

(1) Key dates to implement certain corporate actions shall be as follows:

1. key date to determine persons involved in an individual corporate action (record date);
2. the day of the notification of KDD system members of a corporate action (notification date);

3. the last day of stock exchange trading in a security involved in a corporate action (the last day of trading);

4. key date regarding the separation of individual claims from securities these claims arise from; transactions regarding securities involved in a corporate action concluded on this day or later shall be considered to be concluded without the relevant claim from securities that are the subject of the corporate action (the date without a claim);

5. the first and the last day for communicating the election, the day of guaranteed influence of the buyer on the election within the corporate action and the day for communicating the buyer's election to the seller;

6. the date of the implementation of the corporate action.

(2) The balance of entries on the record date is the balance of entries upon closing of the information system on that day.

(3) When determining key dates for the performance of individual corporate actions, a member-issuer or any other applicant for a corporate action shall be obliged to take into consideration the potential statutory or regulatory restrictions, as well as the restrictions below:

1. the notification date shall be at least four business days prior to the record date;

2. the last day of trading shall be two business days prior to the record date;

3. the date without a claim shall be one business day prior to the record date;

4. the implementation date shall be, insofar as possible, one business day following the record date;

5. the first day for communicating the election shall be at least ten business days prior to the last day for communicating the choice;

6. the last day for communicating the election shall be, insofar as possible, one business day prior to the day of publication of the outcome and the implementation date;

7. the day of guaranteed participation of a buyer in the election shall be at least three business days prior to the last day for communicating the election;

8. the day for communicating the buyer's election shall be two business days following the day of guaranteed participation of the buyer in the election.

(4) When a member-issuer wishes to implement a corporate action through KDD and that action is not the action under Paragraph 1 of Article 37 of ZNVP-1, the member-issuer shall not be bound by provisions hereunder regarding key dates for the implementation of corporate actions.

4.2. GENERAL MEETING OF HOLDERS

General Meeting of Holders

Article 30

A member-issuer shall be obliged to inform KDD in a manner set forth herein of the planned general meeting of holders of securities, of the extension of the agenda and of decisions of the general meeting.

4.3. ISSUE OF SECURITIES

Issue of Securities

Article 31

(1) The issue of securities is a corporate action within which the persons involved obtain securities whereby their existing securities are not deleted.

(2) Securities are issued once they are debited to a transitive account and credited to a holder's account.

(3) The provisions of these rules and regulations on the issue of securities shall also reasonably apply in the event when a member-issuer delivers to the existing holders of certain types of securities with regard to their ownership of the said security the previously issued securities, whereby their existing securities are not deleted.

Method of Issue of Securities

Article 32

(1) Securities may be issued both to the existing holders of certain types of securities with regard to their ownership of the said security and to individually appointed persons regardless of their existing ownership of securities.

(2) If securities are issued with regard to the already existing ownership, they are issued concurrently. If securities are issued regardless of the already existing ownership, they may be issued either concurrently or successively.

(3) Securities are issued concurrently through a transitive account maintained by KDD, while successively they are issued through a transitive account maintained either by KDD or a system member.

(4) With an initial issue of a certain type of securities, KDD shall enter said securities in the records of issued securities (Article 42 of ZNVP-1).

Concurrent Issue

Article 33

(1) With a concurrent issue of securities, KDD credits a transitive account for the entire quota of securities that constitute the subject of issue, and transfers them in debit of the transitive account and in credit of:

1. accounts of existing holders of certain types of securities, or
2. accounts of persons or entities designated by a member-issuer regardless of their ownership of securities.

(2) If the concurrent issue is implemented proportionately to the existing ownership of securities and the holders thereof are entitled to a payment for some part of the quota in the event of unrounded ratio, KDD transfers the securities in credit of the accounts of eligible persons as well as makes payments for parts of quotas. Provisions of the rules and regulations hereunder regarding payments as corporate actions shall also reasonably apply to payments under this article.

Successive Issue

Article 34

(1) With a successive issue of securities, KDD credits one or several transitive accounts for the entire number of securities that constitute the subject of the respective issue.

(2) Transfers of securities in debit of a transitive account and in credit of the account of a respective person are performed by KDD based on bilateral orders, whereby the delivery part of the order is sent to the central registry by KDD or the system member maintaining said transitive account, while the receipt part of the order is sent by the system member maintaining an account of the respective person.

Key Dates for the Implementation of Issue

Article 35

(1) The request for the issue of securities by a member-issuer shall be in writing and it shall contain the notification date and date of issue of securities.

(2) If securities are issued in credit of accounts of existing holders of certain types of securities (i.e. in view of the existing ownership), the request for the issue of securities by a member-issuer shall also contain the record date, the implementation date (date of issue) and the date without a claim.

(3) If the issue of securities depends on the election that needs to be made by the existing holder of a certain type of securities, the request for the issue of securities by a member-issuer shall also contain the first and the last day for communicating the election, the day of guaranteed participation of a buyer in the election and the day for communicating the buyer's election.

(4) Key dates given in the request shall not be binding on KDD. KDD shall take them into consideration within the scope of CASG/CAJWG standards and within their own capability.

Special Rules for Certain Issues

Article 36

(1) If securities are issued due to the replacement of documentary (materialized) securities, the latter need to be submitted to KDD prior to the transfer of securities in credit of the accounts of respective persons.

(2) If securities are issued due to changes in the legal organizational form of a member-issuer or in the event when rights that are the subject of incorporation in securities have already been subject to legal transactions, the request for the issue of securities by a member-issuer shall contain information on potential encumbrances entered in the newly issued securities.

4.4. DELETION OF SECURITIES

Deletion of Securities

Article 37

(1) Deletion of securities is a corporate action within which the securities of persons involved are seized whereby the respective persons do not obtain any other securities instead.

(2) Securities are deleted once they are debited to a holder account and credited to a transitive account for deletion.

(3) The provisions of these rules and regulations on the deletion of securities shall also reasonably apply in the event when holders of securities are deprived thereof or when they deliver the securities in exchange for payments whereby they do not obtain any other securities instead. Provisions of the rules and regulations hereunder regarding payments as corporate actions shall also reasonably apply to payments under this article.

Method of Deletion of Securities

Article 38

(1) Securities may be deleted in part or in whole, and they may be deleted for all existing holders or only for individually designated holders. If securities of all the existing holders are deleted, they are deleted concurrently. If only securities of individually designated holders are deleted, they may be deleted either concurrently or successively.

(2) Securities are deleted concurrently through a transitive account maintained by KDD, while successively they are deleted through a transitive account maintained either by KDD or a system member.

(3) Only securities with no charges may constitute the subject of successive deletion.

Concurrent Deletion

Article 39

(1) With concurrent deletion, KDD transfers securities that constitute the subject of deletion in debit of:

1. the accounts of all the existing holders, or
2. the accounts of individually designated holders

and in credit of the transitive account.

(2) If the concurrent deletion is implemented due to the maturity of the last obligation from securities, KDD transfers the securities in debit of the account of holders as well as makes payments of these obligations. Provisions of the rules and regulations hereunder regarding payments as corporate actions shall also reasonably apply to payments under this article.

Successive Deletion

Article 40

With successive deletion, KDD transfers securities in debit of the holder account and in credit of the transitive account for deletion based on a bilateral order, whereby the receipt part of the bilateral order is sent to the central registry by KDD or the system member maintaining said transitive account, while the delivery part of the order is sent by the system member maintaining the holder account.

Key Dates for Implementation of Deletion

Article 41

(1) The request for the deletion of securities by a member-issuer shall be in writing and it shall contain the notification date, the last day of trading, the record date and the implementation date (date of deletion of securities).

(2) If the deletion of securities depends on the election that needs to be made by a holder, the request for the deletion of securities by a member-issuer shall also contain the first and the last day for communicating the election, the day of guaranteed participation of a buyer in the election and the day for communicating the buyer's election.

(3) Key dates given in the request shall not be binding on KDD. KDD shall take them into consideration within the scope of CASG/CAJWG standards and within their own capability.

4.5. REPLACEMENT OF SECURITIES

Replacement of Securities

Article 42

(1) Replacement of securities is a corporate action within which the persons involved obtain securities in exchange for the existing securities that are seized (mandatory replacement) or for securities they themselves deliver (voluntary replacement).

(2) Securities are replaced when the securities replacing the seized ones are issued.

(3) Issue of securities or delivery thereof as a result of replacement shall be reasonably subject to application of provisions under section 4.3. hereof, while deletion or seizure of securities as a result of replacement shall be reasonably subject to provisions under section 4.4. hereof.

4.6. TAKEOVER

Takeover and Application of Provisions

Article 43

(1) A takeover is a corporate action pursuant to ZPre-1 which can be implemented by holders delivering their securities in exchange for payment (Paragraph 3 of Article 37 hereof) or as a corporate action of securities replacement (Article 42 hereof).

(2) The takeover and procedures regarding the KDD services related to a takeover bid shall be governed mutatis mutandis by relevant provisions of sections 4.3. and 4.5 of these Rules, unless otherwise provided in this section.

(3) When the acceptor in compliance with Item 1 Paragraph 1 of Article 3 of ZPre-1 is not the holder of securities, but some other person entitled to dispose with securities, the provisions under this section regarding the actions of the holder as acceptor and regarding the accounts of the holder as acceptor shall apply mutatis mutandis.

(4) The provisions under this Section on monetary or substitutive takeover bids shall reasonably apply to a combined, alternative or subsequent takeover bid.

Obligation of Confirmation and Notification

Article 44

(1) KDD shall confirm to the acquirer all the existing facts, the existence of which the acquirer shall be obliged to demonstrate to the Agency.

(2) The acquirer shall inform KDD in the manner set forth in the regulations and no later than the following business day of circumstances and events relevant to the correct and accurate performance of services with respect to a takeover bid (such as the withdrawal from a take-over intention, the issue of a license for a takeover bid, the modification of the takeover bid, the cancellation of the takeover bid, the extension of the deadline for acceptance of the takeover bid, the measures of the agency in the control procedure for the implementation of the takeover bid, etc.)

Authorized Member

Article 45

(1) **An authorized member** is a system member authorised under a contract with the acquirer to perform legal acts in the name and on behalf of the acquirer and in its account in the procedure of the takeover bid (Article 23 of ZPre-1);

(2) In relation to KDD, actions or omissions of the authorized member shall be considered as actions or omissions of the acquirer.

Due Monetary Amount or Bank Guarantee

Article 46

(1) The amount of money that the acquirer must deposit in credit of the fiduciary account prior to the publication of a takeover bid according to Article 36 of ZPre-1 or the amount of bank guarantee which substitutes the deposited amount of money shall be calculated as follows:

1. consideration shall be taken of all the issued securities of the target company with uniform identification provided by the acquirer, as well as the additional amount of securities which could, according to KDD data, be issued prior to the expiry of the deadline for the acceptance of a takeover bid (e.g. the amount of securities that could be issued for joined partial rights, for unexchanged printed documents or for share capital increase, entered in the court register);

2. securities owned by the acquirer and deposited with KDD should be deducted from the total number of securities defined in the above Item 1.

(2) Deposit of securities from Item 2 under Paragraph 1 shall be performed through their transfer in credit of the KDD securities fiduciary account. If the securities are encumbered, the deposit shall be applicable when it has been ensured that the takeover bid regarding these securities cannot be accepted.

(3) KDD shall inform the acquirer of the required amount of money or bank guarantee under Paragraph 1 above, and issue them with a certificate of deposit.

(4) Provisions of this Article shall apply mutatis mutandis to deposits of additional amounts in the event of a higher price offered subsequently (Item 3, Paragraph 3, Article 30 of ZPre-1).

Required Number of Substitutive Securities

Article 47

(1) With regard to a substitutive takeover bid the subject of which are substitutive securities, the calculation of the total number of such securities which have to be deposited prior to the publication of the takeover bid according to Article 37 of ZPre-1, the notification of the acquirer of the required number of substitutive securities and the issue of a certificate of deposit shall be subject to reasonable application of Article 46 hereof.

(2) If the product of the number of securities of the target company that are not deposited with KDD in accordance with Article 46 hereof and the offered conversion rate is not a whole number, the next whole number higher than the product shall be applied.

(3) If the substitutive securities have been previously issued, the acquirer shall deposit them by crediting the KDD securities fiduciary account.

- (4) Deposit of substitutive securities shall be suitable only if securities are free of any encumbrances.

Ensuring Conditions for Transfer of Target Company Securities in Credit of Takeover Accounts

Article 48

(1) When KDD receives a copy of the licence and of the prospectus for a takeover bid, it shall enable transfers of securities of the target company to be made in the central registry in credit of the acceptors' takeover accounts from the date of entry into force of the takeover bid.

(2) **A takeover account** is a client account credited with the transfer of securities of the target company that are the subject of acceptor's notice of acceptance of the takeover bid.

(3) KDD shall temporarily disable the transfer of securities of the target company in credit of the acceptors' takeover accounts if the agency issues an order to eliminate the violations in the takeover bid supervisory procedure until the agency issues a notice that such violations have been remedied.

(4) KDD shall disable the transfer of securities of the target company in credit of the acceptors' takeover accounts:

1. following the expiry of the deadline to accept the takeover bid;
2. if the agency cancels the takeover bid procedure, or
3. if the takeover bid is withdrawn.

Transfer of Securities in Credit of a Takeover Account

Article 49

(1) The acceptor's system member shall send the order for transfer of securities to the central registry in credit of the acceptor's takeover account based on the acceptor's statement on accepting the takeover bid.

(2) The acceptor's system member shall provide the authorised member with the acceptor's statement of accepting the takeover bid as set forth in the regulations along with the sending of the order as set forth under Paragraph 1 hereinabove. KDD shall enable authorized members to access data on acceptors and on the number of securities with regard to which the acceptors have accepted takeover bids.

(3) Securities shall be considered to be eligible for transfer in credit of the acceptor's takeover account only if they are not encumbered or if they are encumbered with entries of such nature that they expire upon transfer of securities to the acquirer.

- (4) The acceptor can no longer dispose with securities entered in credit of the takeover account.

Invalidity of the Notice of Acceptance of the Takeover Bid

Article 50

- (1) The statement on accepting the takeover bid shall be considered as invalid from the beginning:

1. if securities credited to a takeover account require an entry of encumbrances for which a prohibition of disposal does not constitute an impediment;

2. if the election demanded by a system member pursuant to Paragraph 6 of Article 69 hereinunder needs to be put into effect.

(2) In case of situation from Paragraph 1, KDD shall debit the takeover account and credit any account that was previously debited.

Procedures in the Event of Successful Takeover Bid

Article 51

When the agency determines by ruling under Article 56 of ZPre-1 that a takeover bid is successful, the following shall be observed:

1. in the event of a monetary bid: KDD shall calculate the amount of the payment claim an individual acceptor is entitled to with regard to securities in the respective takeover account, and transfer the sum in the credit of the DCA account of the system member maintaining the respective takeover account;

2. in the event of a substitutive bid: KDD shall calculate the quantity of substitutive securities an individual acceptor is entitled to and (i) transfer them in debit of the KDD securities fiduciary account or rather (ii) issue them in credit of the accounts of acceptors pursuant to Paragraph 3 of Article 58 of ZPre-1;

3. following the fulfilment of obligations under Item 1 and 2 above: KDD shall transfer the securities of the target company in debit of takeover accounts and in credit of the acquirer's account, and reimburse the acquirer for any surplus of deposited funds or previously issued substitutive securities as well as any deposited and unused bank guarantees.

Procedures in the Event of Unsuccessful Takeover Bid

Article 52

When the agency determines by ruling under Article 56 of ZPre-1 that a takeover bid is not successful, the following shall be observed:

1. KDD shall reimburse the acquirer for any deposited amounts or bank guarantees as well as substitutive securities that were deposited in credit of the KDD securities fiduciary account;
2. KDD shall transfer the acceptors' securities in debit of takeover accounts and in credit of accounts previously debited with transfers of respective securities.

Reimbursement of Deposited Securities

Article 53

Following the fulfilment of obligations under Item 3 of Article 51 hereof or obligations under Item 2 of Article 52 hereof, KDD shall reimburse securities that were deposited under Paragraph 2 of Article 46 hereof.

Competitive Takeover Bid

Article 54

(1) For procedures regarding the competitive takeover bid, the provisions under this section regarding a takeover bid (hereinafter: first takeover bid) shall apply mutatis mutandis, unless otherwise provided by the following provisions.

(2) When an acceptor accepting a competitive takeover bid has already accepted the first takeover bid regarding the same securities, the acceptor's system member shall, pursuant to acceptor's notice of the acceptance of the competitive takeover bid, send to the central registry an order for the transfer of securities in debit of the acceptor's takeover account regarding the first takeover bid and in credit of the acceptor's takeover account regarding the competitive takeover bid.

(3) In the case set forth under Paragraph 2 hereinabove, the acceptor's statement on accepting the first takeover bid shall be considered as invalid from the very beginning.

4.7. PAYMENTS

Payments from Securities

Article 55

(1) Payment from securities is a corporate action on the basis of which persons involved are entitled to any monetary amount from these securities without any changes to the balance thereof.

(2) The payment from securities shall be performed by a member-issuer through KDD.

Key Dates for Implementation of Payments

Article 56

(1) The request for the payment from securities by a member-issuer shall be in writing and it shall contain the notification date, the date without a claim, the record date and the date of payment. In the event of payments from debt securities, the date without a claim shall not be provided.

(2) Key dates given in the request shall not be binding on KDD. KDD shall take them into consideration within the scope of CASG/CAJWG standards and within their own capability.

Methods of Payment from Securities

Article 57

(1) A member-issuer shall make sure that KDD receives the gross monetary amount in credit of the fiduciary account no later than by 9 a.m. on the date of payment. The amount shall be used for payments to all holders or other persons eligible for payments from securities.

(2) The amount under the above paragraph shall be reduced for the amount of payments which, in view of the status of the holder or other eligible person, are not allowed by law or by an order of a state authority.

(3) Gross amounts used for payments to eligible persons shall be transferred by KDD on the date of payment as follows:

1. in case of unencumbered securities: in credit of the corresponding DCA account of the holder's member;

2. in case of pledged securities: in credit of the corresponding DCA account of the pledge member when it comes to the first priority security interest; in case of payments from revenues, no consideration shall be given to liens entered in the central registry prior to the implementation of ZNVP-1A and

containing a statement that the holder shall be eligible for revenues (if the pledged securities include only liens that were entered in the central registry prior to the implementation of ZNVP-1A and containing a statement that the holder shall be eligible for revenues and the payment from revenue is actually the case, then KDD shall transfer the payment in credit of the corresponding DCA account of a holder's member);

3. in case of securities encumbered with an order of execution: in credit of the corresponding DCA account of the executive member in the event of the first priority order of execution;

4. in case of pledged securities additionally encumbered with an order of execution: in accordance with Item 2, save in the case of payments from revenues where all liens with higher priority than the order of execution had been entered in the central registry prior to the implementation of ZNVP-1A and contain a statement that the holder shall be eligible for revenues (in that case, KDD shall transfer the payment in credit of the corresponding account of the executive member);

5. in other cases: in credit of the corresponding DCA account of the holder's member.

(4) If payments for individual securities cannot be made on the date of payment because the account that is set to be credited with the entry of securities on the record date is not maintained by a system member (such as securities in temporary accounts, securities in the deposit-in-court accounts, etc.), KDD keeps the amount in their fiduciary cash account and transfers it when securities the payment for which was not possible are transferred to an account maintained by a system member. This shall not apply to securities held in the dereliction account on the record date.

(5) Following the expiry of the period of limitation for a respective payment, KDD shall, upon request by a member-issuer, reimburse them for the amount that has not been paid in accordance with Paragraphs 3 or 4 hereinunder.

(6) Should the law governing the tax procedure require that a tax needs to be calculated, deducted and paid from the amount of payment, this shall be done by the system member receiving payment from KDD under this article.

5. TRANSFERS OF SECURITIES AND OTHER ENTRIES

5.1. GENERAL PROVISIONS

Definitions and Application of Provisions hereunder

Article 58

(1) Transfer of securities shall mean movement of securities between different accounts, achieved by reducing the number of securities entered in a certain account, including the pledge account, and increasing the number of these same securities in another account, including the pledge account.

(2) Other entries shall mean entries, changes and deletion of encumbrances within the same holder account.

(3) This section shall apply to all transfers of securities, except for transfers of securities within corporate actions and transfers of securities within settlements of stock exchange transactions where the provisions of this section shall apply subsidiarily.

Role of Orders

Article 59

(1) To implement transfers and other entries with a corporate legal basis, system members shall send to the central registry unilateral orders, delivery or receipt parts of bilateral orders in accordance with the law, the rules hereunder and regulations.

(2) An order or a part of order submitted to the central registry by a system member shall include all the component elements set forth under the regulations.

(3) Transfers and other entries with direct basis in law or in other enforceable decisions of state authorities and holders of public authorizations shall be processed pursuant to orders submitted to the central registry by KDD.

(4) Provisions under this article shall not diminish or preclude the right of KDD to send orders to the central registry by itself when such action is legally required or useful.

5.2. TRANSFERS

Pairing Orders

Article 60

(1) Transfer of securities between accounts is performed based on a bilateral order for such transfer.

(2) A bilateral order for transfer is created when KDD pairs the delivery and receipt part of an order for transfer of securities, which are complementary. The delivery and receipt part of an order are complementary when they are aligned in all the component elements set forth under the regulations. The limits of correspondence (tolerance) of individual components are set forth in the regulations.

(3) The delivery part of the order is submitted to the central registry by:

1. the holder's member maintaining the account that is debited for the securities transfer;
2. the pledge member authorized for the entry of the delivery part of the order when it comes to the account that is debited for the securities transfer due to the entry of a lien;
3. the pledge member maintaining the pledge account that is debited for the securities transfer due to the cancellation of a lien;
4. the pledge member included in the lien which shall be exercised with securities transfer;
5. the executive member authorized to sell securities encumbered with an order of execution;
6. KDD when transfer is made in debit of a temporary account.

(4) The receipt part of the order is submitted to the central registry by:

1. the holder's member maintaining the account that is credited for the securities transfer; or
2. the pledge member maintaining the pledge account that is credited for the securities transfer due to the entry of a lien.

(5) In the event of transfer of securities in debit of a temporary account and in credit of the account maintained by the holder's member, it shall be deemed that KDD has automatically submitted the delivery part of the transfer order at the moment when the receipt part of the order was submitted to the central registry by the holder's member.

Handling of Submitted Orders

Article 61

(1) Pairing only applies to those orders or parts thereof that include all the elements set forth under the regulations, and that are submitted in the form set forth under the regulations. Verifying the compliance of orders or parts thereof is called validation.

(2) KDD shall not consider unsuitable orders or parts thereof in pairing orders. KDD shall attempt to pair suitable (validated) orders or parts thereof.

(3) The regulations state how long KDD attempts to pair suitable orders or parts thereof. The regulations state when suitable yet unpaired orders or parts thereof are to be deleted.

(4) Until KDD does not pair due orders or parts thereof, the system member submitting said orders may cancel them.

(5) Until a bilateral order for transfer that is created by pairing complementary parts of orders is not entered in the central registry (Article 68 hereof), the system members entering due parts of orders may cancel them by mutual agreement. The regulations state when a bilateral order for transfer may be cancelled unilaterally.

Processing Transfers

Article 62

(1) KDD tries to process due transfer of securities based on a bilateral order initially after the order is generated, unless the order itself states that it should initially be processed only on a specific subsequent date.

(2) Transfer of securities is processed:

1. if the account or sub-account that is set to be debited for the transfer has sufficient balance of eligible securities;

2. if securities have already been transferred between technical settlement accounts in T2S, save in cases when such transfer is not required because the transfer between accounts in the central registry would not result in different balances of securities in accounts in the central registry and technical settlement accounts in T2S nor would it result in changes in the corresponding DCAs of system members;

3. in the event that the transfer of securities is implemented against due payment of a purchase price: when the transfer of securities is implemented simultaneously with the transfer of a corresponding sum of

money between the DCAs of system members maintaining the securities accounts between which the transfer was implemented.

(3) The securities are considered as eligible if they are the type (uniform identification as set forth under Article 20 hereinabove) as set forth in the bilateral order and if they are not encumbered or if these encumbrances are of such nature that they do not constitute an impediment for transfer of securities or if they expire upon transfer of securities.

(4) The regulations state how frequently, how long and in what order KDD tries to reattempt transfer of securities if the conditions under Paragraph 2 hereinabove are not met upon initial attempt (recycling an order).

(5) The regulations state when a bilateral order where due transfer of securities failed is deleted.

5.3. SPECIAL TYPES OF TRANSFERS

Dereliction

Article 63

(1) A holder of dematerialized securities has a right to irrevocably and perpetually renounce the unencumbered securities in their account (dereliction). They shall not be eligible for any compensation for derelict securities.

(2) Dereliction of securities shall be performed as a transfer in debit of the holder's account and in credit of the dereliction account.

(3) Derelict securities may be transferred by KDD in debit of the dereliction account and in credit of a special account the holder of which is company Kapitalska družba d.d.

(4) Until securities of a respective type are credited to the dereliction account, the rights from said securities shall not be exercised, but they shall participate in corporate actions, save for payments and those corporate actions where active participation of a holder is required.

Court Deposit

Article 64

(1) Securities may be deposited with court (deposit-in-court). Deposit-in-court of securities shall be subject to provisions of Code of Obligations and Non-litigious Civil Procedure Act.

(2) Holder of the securities account or a person who maintained or maintains holder's securities account and wants to accomplish its close-down may act as the person proposing such a deposit.

(3) Deposit-in-court of securities shall be performed by KDD as a transfer in debit of the holder's account and in credit of deposit-in-court account of the competent court if:

1. a legally binding court decision on admission to deposit has been issued;
2. if the balance of securities is such that would, pursuant to Paragraph 3 of Article 62 hereof, make the securities eligible to be transferred between accounts of different holders, and
3. if the person proposing the deposit has paid compensation for the transfer to the deposit-in-court account.

Handling Securities in Deposit-In-Court

Article 65

(1) KDD tags securities in deposit-in-court so that it is always possible to see which procedures the securities have been deposited in, and separate them from securities deposited in other procedures.

(2) The opposing party may acquire securities from deposit-in-court on the basis of a legally binding court decision on delivery from deposit-in-court, under the terms set in the respective court decision and following the payment of compensation for the transfer from the deposit-in-court account.

(3) If securities are not acquired from deposit-in-court in 5 years from the finality of the court decision on deposit-in-court, KDD shall transfer said securities in credit of the account of the Republic of Slovenia under a legally binding court decision on time-barring of right to take deposited securities.

(4) Acquisition of securities from deposit-in-court shall be performed as a transfer in debit of the deposit-in-court account and in credit of eligible claimant's account. Due transfer shall be subject to provisions under these rules that apply to transfer of securities between accounts of different holders, whereby the delivery part of the order is entered in the central registry directly by KDD.

(5) Until securities are credited to the deposit-in-court account, the rights from said securities shall not be exercised, but they shall participate in corporate actions, save for those corporate actions where active participation of a holder is required. A KDD system member acting on behalf of an eligible claimant may seek enforcement of rights not exercised during deposit-in-court, but only after the claimant acquires said securities.

5.4. OTHER ENTRIES

Unilateral Order as the Basis

Article 66

(1) Entry, amendments or deletion of an encumbrance within the same holder account shall be performed on the basis of a unilateral order for such entry, amendment or deletion. A unilateral order shall be suitable if it includes all the component elements set forth under the regulations.

(2) Paragraph 1 of this article shall not apply when the deletion of an encumbrance results from the transfer of securities.

(3) A unilateral order is submitted to the central registry by:

1. the holder's member maintaining the account that is credited with the entry of securities that are to be the subject of encumbrance in the case of the entry of a lien within the same account or the entry of a prohibition of disposal;

2. the holder's member maintaining the account that is credited with the entry of securities that are the subject of a prohibition of disposal in the event of deletion of this prohibition;

3. the pledge member in the event of changes in lien or deletion of the lien in relation to which the member acts as the pledge member, namely within the same account.

Implementation of Entries Based on Unilateral Orders

Article 67

(1) KDD shall attempt to perform entries based on suitable orders or parts thereof under Article 66 once, namely directly after receiving the said order or parts thereof.

(2) Entries, amendments or deletion of encumbrances shall be performed if the account or sub account where said entry is to be performed features sufficient balance of eligible securities. The securities are considered as eligible if they are the type (uniform identification as set forth under Article 20 hereinabove) as set forth in the order or a part thereof and if they are not encumbered or if these encumbrances are of such nature that they do not constitute an impediment for desired entry, amendment or deletion.

(3) KDD shall not consider unsuitable orders or parts thereof. Suitable orders or parts thereof on the basis of which the desired entry, amendment or deletion could not be made shall be deleted by KDD.

5.5. MOMENT OF ENTRY AND IRREVOCABILITY

Moment of Entry and Irrevocability of Orders

Article 68

(1) A bilateral order for transfer shall be considered as entered in the central registry (Article 16 of ZNVP-1, Article 403a of ZTFI) when it serves as the basis for crediting the account to which the securities will be transferred.

(2) A unilateral order for entry, amendment or deletion of encumbrances shall be considered as entered in the central registry (Article 16 of ZNVP-1, Article 403a of ZTFI) when it serves as the basis for an entry in the account that is credited with securities which the order refers to.

(3) An order entered in compliance with Paragraph 1 or 2 hereof shall become irrevocable when it has been entered in the registry.

(4) An order or a part thereof that also includes crediting or debiting the DCA and/or the technical settlement account in T2S shall be considered as entered when KDD has recognized it as suitable with regard to the rules applicable in T2S. It shall be considered irrevocable when it has received the status of a "matched instruction" in T2S. KDD shall consider the order or part thereof suitable with regard to the above written when it has received the "valid" status.

5.6. EFFECT OF CORPORATE ACTIONS ON ORDERS SENT TO CENTRAL REGISTRY

Effects of Corporate Actions Regarding Sent Orders

Article 69

(1) A distribution (Paragraph 1, Article 37 of ZNVP-1) shall have an effect on the following orders related to securities of the same kind as the securities in the course of a corporate action:

1. order for transfer of equity securities that has not been settled on the record date if the trading day (i.e. the day of conclusion of transaction that shall be fulfilled with the transfer of securities and is designated as such in the order) is prior to the date without a claim;

2. order for transfer of equity securities that has been settled on the record date or prior to it if the trading day is on the same day as the date without a claim or after it;

3. order for transfer of debt securities that has not been settled on the record date although the anticipated date for the transfer of securities is on the same day as the record date or prior to it;

4. any other order which the system members marked as such when entering the orders or parts thereof in a manner set forth in the regulations.

(2) The distribution shall affect orders from Paragraph 1 hereof in the following manner:

1. in cases from Items 1 and 3 of Paragraph 1, KDD establishes an obligation of a system member that has entered the delivery part of the transfer order for the account of deliverer towards a system member that has entered the receipt part of the order for the transfer of securities for the account of recipient;

2. in cases from Item 2 of Paragraph 1, KDD establishes an obligation of a system member that has entered the recipient part of the transfer order towards a system member that has entered the delivery part of the order for the transfer of securities;

3. in cases from Item 4 of Paragraph 1, KDD establishes an obligation between the two system members that have entered the delivery or rather receipt part of the order for transfer of securities, taking into consideration their marking (*ex/cum*);

of such type and in the amount corresponding to the amount of delivery assigned to the securities that are the subject of a transfer order.

(3) A reorganisation (Paragraph 1, Article 37 of ZNVP-1) shall have effect on orders related to securities of the same kind as the securities in the course of a corporate action and that were not settled on the record date.

(4) The reorganization shall affect orders from Paragraph 3 hereof in a manner so that KDD shall transform them with regard to the replacement ratio from the corporate action.

(5) Irrespective of provisions from Paragraph 1 to Paragraph 4 hereof, a corporate action shall not have any effect on orders which the system members tagged when entering the orders or parts thereof for the account of their clients in a manner set forth in the regulations.

(6) If the corporate action is such that it provides the possibility of election (regarding the object the eligible person receives in a corporate action or regarding participation in the action) and an order has been sent to the central registry for the transfer of securities between accounts of different persons, whereby the day of guaranteed participation in the election or the day following it was designated as the trading day, and the day prior to the last day for communicating the election was designated as the anticipated settlement date, the system member submitting the receipt part of the order for the account of recipient may request from the system member submitting the delivery part of the order for the account of deliverer that their election be implemented in the corporate action. Such a request shall be submitted by the system member submitting the receipt part of the order for the account of recipient directly to the system member submitting the delivery part of the order for the account of deliverer no later than one

business day prior to the last day for communicating the election. This shall be done by means of a form published on the KDD website.

6. SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS

6.1. GENERAL PROVISIONS

Application of Provisions hereunder

Article 70

(1) The provisions under this section shall apply to fulfilment of obligations arising from stock exchange transactions (settlement of stock exchange transactions).

(2) Provisions set forth hereunder shall not be applicable to the settlement of stock exchange transactions which are conducted as a bilateral settlement directly between the parties to a stock exchange transaction without an offset of mutual claims of the parties from several stock exchange transactions. Settlement of these stock exchange transactions shall be subject to provisions under these rules on transfer of securities against due payment.

(3) It is only those system members that made payments into the guarantee fund pursuant to these rules that shall participate in the settlement of stock exchange transactions.

(4) Settlement of stock exchange transactions shall be subject to provisions under Article 68 hereof regarding the moment of entry and the irrevocability of orders.

Definition of Terms Used in this Section

Article 71

(1) Terms used in this section shall have the following meaning:

1. **A settlement day** is the day on which the obligations, arising from stock exchange transactions executed on any particular trading day become due.

2. **A seller system member** is that system member who, in view of an individual stock exchange transaction, concluded the respective stock exchange transaction as a seller (and has not transferred their rights and obligations to another system member) or the one that has assumed the rights and obligations in relation to the transaction from another stock exchange member that concluded the business as a seller.

3. **A buyer system member** is that system member who, in view of an individual stock exchange transaction, concluded the respective stock exchange transaction as a buyer (and has not transferred their rights and obligations to another system member) or the one that has assumed the rights and obligations in relation to the transaction from another stock exchange member that concluded the business as a buyer.

4. ***Net payment obligation of a system member*** is the system member's (net debtor) financial obligation whereby the difference without taking into consideration any excluded stock exchange transactions:

– between the sum of all financial obligations arising from their purchase stock exchange transactions, concluded on a particular trading day, and

– the sum of all financial claims arising from their sales stock exchange transactions, concluded on a particular trading day

shall be positive, whereby the net sum of financial obligations of the system member is equal to the said difference.

5. ***Net payment claim of a system member*** is the system member's (net creditor) financial claim whereby the difference without taking into consideration any excluded stock exchange transactions:

– between the sum of all financial claims arising from their sales stock exchange transactions, concluded on a particular trading day, and

– the sum of all financial obligations arising from their purchase stock exchange transactions, concluded on a particular trading day

shall be positive, whereby the net sum of financial claims of the system member is equal to the said difference.

(2) The provisions of the section hereunder applicable to stock exchange transactions executed by a system member also apply when a stock exchange transaction is executed by a stock exchange member whose obligation is assumed by a system member.

Entry of Data on Stock Exchange Transactions into the Information System

Article 72

(1) The final trading report provided by the stock exchange to KDD shall include the following data on an individual stock exchange transaction, which is the subject of the said report:

1. price;
2. type and quantity of securities which constitute the subject of the transaction;
3. system members which are party to the said transaction;
4. the number of the seller's securities account, if it was entered into the stock exchange trading system, or rather the data on the fact that the sales stock exchange transaction was part of a joint account trade; and

5. the number of the buyer's securities account, if it was entered into the stock exchange trading system, or rather the data on the fact that the purchase stock exchange transaction was part of a joint account trade.

(2) Based on the final trading report and exclusively based on this report, KDD shall enter data from Paragraph 1 hereof on stock exchange transactions concluded on a particular trading day into the information system no later than on the following trading day and by the hour set forth in the regulations.

Buy-in and Sell-out

Article 73

(1) **Buy-in** is the purchase of securities executed by KDD to remedy the default on a stock exchange transaction of a seller system member who failed to fulfil their obligation to properly and timely ensure the requirements for the transfer of securities to the credit of the buyer's account in accordance with these rules.

(2) **Sell-out** is the sale of securities executed by KDD:

- either to settle the net payment obligation of a system member; or
- because the buyer system member is in creditor's delay to ensure the requirements for the transfer of securities to the credit of the buyer's account in accordance with these rules.

(3) KDD shall perform a buy-in or a sell-out in cases determined by these rules, and in the manner determined by the regulations. Transfers of securities due to a buy-in or a sell-out shall be performed in credit or in debit of the KDD securities fiduciary account.

Liability of System Members for Settlement of Obligations Arising from Stock Exchange Transactions

Article 74

(1) System members shall be obliged to ensure the conditions for proper settlement of their obligations arising from stock exchange transactions in a timely manner pursuant to these rules.

(2) System members shall be liable for the violation of their obligations arising from stock exchange transactions in a manner pursuant to these rules.

(3) System members shall be liable for the settlement of obligations of other system members arising from stock exchange transactions in the scope and manner set forth herein.

(4) **The guarantee fund** shall represent assets maintained by KDD in its own name and at its disposal

for the account of system members participating in the settlement of stock exchange transactions.

(5) ***A guarantee fund bank account*** is a bank account held by KDD and maintained by the Bank of Slovenia or another ESCB member, to the credit and debit of which payments to and from the guarantee fund are made. In relation to KDD creditors, the balance on the guarantee fund bank account and other assets constituting the guarantee fund shall be considered as assets of system members participating in the settlement of stock exchange transactions.

(6) KDD shall not be liable for the settlement of obligations of system members arising from stock exchange transactions, although it shall undertake actions to enforce their liabilities.

6.2. ENSURING CONDITIONS FOR SETTLEMENT OF OBLIGATIONS

6.2.1. General

Principle of Implementation Concurrence

Article 75

The settlement of the obligation of transferring securities and paying the purchasing price shall be implemented on the principle of implementation concurrence.

Informative Calculation of Net Balance

Article 76

(1) Based on data entered into the central registry information system pursuant to Article 72 hereof and in the manner set forth in the regulations, KDD shall make an informative calculation of net payment obligation or net payment claim for each system member involved in the settlement of stock exchange transactions.

(2) A net debtor system member whose net payment obligation in view of the informative calculation exceeds an amount determined by the regulations shall credit the KDD's fiduciary cash account in the amount of the liquidity reserve calculated pursuant to the regulations as a security payment for their net financial obligation on the day and by the hour specified in the regulations.

*Seller System Member Obligation to Ensure Conditions for Settlement of Obligations
Regarding Transfer of Securities*

Article 77

A seller system member shall ensure conditions for the settlement of their obligation to transfer securities in relation to a certain stock exchange transaction on the date and by the hour set forth in the regulations:

1. so that it enters the seller's account number either in the stock exchange trading system or in the central registry information system (through allocation); and
2. so that it ensures due securities in the seller's account (Paragraph 4, Article 82 hereof).

*Buyer System Member Obligation to Ensure Conditions for Settlement of Obligations
Regarding Transfer of Securities*

Article 78

A buyer system member shall ensure conditions for the settlement of their obligation to transfer securities which constitute the subject of the transaction in respect of a certain stock exchange transaction no later than on the settlement date and by the hour set forth in the regulations by entering the buyer's account number either in the stock exchange trading system or in the central registry information system (through allocation).

Entry of Sellers' and Buyers' Account Numbers

Article 79

(1) If Article 80 hereof does not state otherwise, system members shall ensure that the seller's account number (in sales stock exchange transactions) or the buyer's account number (in purchase stock exchange transactions) is entered into the stock exchange trading system.

(2) If the stock exchange trading system has been entered with a number which does not correspond to any holder account in the central registry in trading on account of a client in the stock exchange trading system either as a buyer account or a seller account number, the stock exchange transactions shall be considered as having been concluded in trading for a joint account.

Allocation of a Stock Exchange Transaction

Article 80

(1) If a system member's sales transaction has been concluded in trading for a joint account (Paragraph 1, Article 234 of ZTFI), the system member shall allocate the transaction by entering in the central registry information system account numbers of sellers and securities quantities, which are earmarked for transfer so as to debit the respective seller's account in order to settle the said transaction in such a way that the sum of quantities in individual sellers' accounts equals the quantity of securities in the sales transaction.

(2) If a system member's purchase transaction has been concluded in trading for a joint account (Paragraph 1, Article 234 of ZTFI), the system member shall allocate the transaction by entering in the central registry information system account numbers of buyers and securities quantities, which are earmarked for transfer so as to credit the respective buyer's account in order to settle the said transaction in such a way that the sum of quantities in individual buyers' accounts equals the quantity of securities in the purchase transaction.

(3) If a system member's sales transaction has been concluded to exercise a lien entered within the same account, the said system member shall ensure that the entry of an offer for sale of the securities which constitute the subject of the lien shall be subject to this transaction being designated in the stock exchange trading system as a transaction concluded in trading for a joint account.

(4) System members shall allocate the sales transaction under Paragraph 3 hereof by entering in the central registry information system the seller's account number, the sub-account number which includes the lien, the lien number and quantity of securities which are to be charged to this sub-account for the settlement of the transaction.

(5) Provisions under Paragraphs 3 and 4 hereof shall also be applicable *mutatis mutandis* for sales transactions which are concluded by system members based on selling their securities in recovery of claims proceedings based on a due decision issued by an executive court or another competent state body.

Invalid Allocation

Article 81

(1) Allocation from Paragraphs 1, 2 or 4 of Article 80 hereof shall remain invalid:

1. if the system member has not entered all the necessary data; or
2. if the system member has entered their own account number or the account number of the stock exchange member conducting the stock exchange transaction when entering the seller's or buyer's account, except for the allocation of a sales transaction in order to exercise a lien;

3. for the allocation of a sales transaction in order to exercise a lien: if the sub-account which includes the lien lacks sufficient securities (Paragraph 4, Article 82 hereof); or

4. if the sum of quantities in individual sellers' or buyers' accounts does not equal the quantity of securities in the sales or rather purchase transaction.

(2) KDD shall not consider invalid allocations from Paragraph 1 hereinabove. In such cases it shall be considered that the system member did not allocate the stock exchange transaction and did not meet the requirements of ensuring conditions for transfer of securities pursuant to Item 1, Article 77 or Article 78 hereof.

Reservation of Securities

Article 82

(1) KDD shall make a provision of a sufficient quota of securities on the seller's account (Paragraph 4 herein), namely:

1. if the system member entered the seller's account number into the stock exchange trading system pursuant to Article 79 hereof: at the moment when KDD enters data on stock exchange transactions into the central registry information system pursuant to Article 72 hereof;

2. if the system member entered the seller's account number into the central registry information system by allocating a stock exchange transaction pursuant to Paragraph 1 or 4 of Article 80 hereof: at the moment of allocation.

(2) If at the moment when KDD enters data on stock exchange transactions into the central registry information system as per Article 72 hereof or when there is an insufficient balance of respective securities on the designated account of the seller at the time of allocation, KDD makes a provision only for the available quota, while the remaining balance of securities is reserved when the system member ensures said securities on the seller's account, if the system member does this before the time specified under Article 77 hereof.

(3) Reserved securities may not constitute the subject of other entries.

(4) The securities shall be eligible if they are the type (uniform identification and code as set forth under Article 20 hereinabove) with respect to which the sales stock exchange transaction was concluded and if they are not encumbered or if these encumbrances are of such nature that they expire upon transfer of securities to the buyer.

Final Calculation of Net Balance

Article 83

(1) If all seller system members fulfil their obligations under Article 77 hereof upon the date of maturity, the informative calculation of net balances as per Article 76 becomes final.

(2) If, regarding a certain stock exchange transaction, a seller system member does not fulfil their obligations under Article 77 hereof upon the date of maturity, such a transaction shall be excluded from the stock exchange settlement (excluded stock exchange transaction) and KDD shall provide the system members participating in the transaction with a final calculation of net balances by the hour specified in the regulations and disregarding the excluded stock exchange transaction. Failure to provide sufficient balance of securities shall be considered as the failure of fulfilment.

(3) If, regarding a certain stock exchange transaction, a buyer system member does not fulfil their obligations under Article 78 hereof upon the date of maturity, KDD shall consider the KDD securities fiduciary account as the buyer's account, while the transfer of securities from the KDD securities fiduciary account to the buyer's account shall be made only when the buyer system member communicates the account data to KDD.

Provision of Funds

Article 84

(1) A net debtor system member shall provide sufficient funds in their DCA for the settlement of their net payment obligations on the settlement day and by the hour specified in the regulations.

(2) If a net debtor system member does not settle their net payment obligation upon the date of maturity, KDD shall have the right to ensure coverage by debiting the guarantee fund.

(3) The moment the payment is made from the guarantee fund pursuant to Paragraph 2 hereof, the net debtor system member's obligation from Paragraph 1 hereof shall turn into an obligation to immediately repay the sum which was charged to the guarantee fund, together with legal interest in arrears and lump compensation for the activation of the guarantee fund in the amount specified in the Tariff.

6.3. SETTLEMENT

Settlement

Article 85

(1) On the settlement day and at the hour specified in the regulations, KDD shall make sure that:

1. transfers of securities are made in debit of the sellers' accounts and in credit of the buyers' accounts (in the event under Paragraph 3 of Article 83 hereof: in credit of the KDD securities fiduciary account) immediately after transfers of corresponding securities are made between eligible corresponding technical settlement accounts in T2S;

2. for every stock exchange transaction which was not excluded pursuant to Article 83 hereof, a transfer of due payment shall be made in debit of the buyer system member's DCA and in credit of the seller system member's DCA.

(2) No transfer of securities or due payment under Paragraph 1 hereof shall be made if all transfers pursuant to Paragraph 1 have not been made.

6.4. OTHER LEGAL CONSEQUENCES OF LATE SETTLEMENT

The Right of Buyer System Members to Withdraw

Article 86

(1) KDD shall call upon the buyer system member whose stock exchange transaction has been excluded because the seller system member did not provide securities to decide whether they shall withdraw from the purchase of securities that were the subject of the excluded transaction or whether they shall insist on the purchase thereof.

(2) If the buyer system member withdraws from the purchase, the seller system member shall:

1. pay the buyer system member a contractual penalty amounting to 50 per cent of the purchasing price agreed for the purchase of securities, which the buyer system member subsequently withdrew from; and

2. compensate the buyer system member for any major damage incurred due to defaulting on obligations set forth under Article 77 hereof.

(3) If the buyer system member states their intent to insist on the purchase, they may only subsequently withdraw therefrom if allowed to do so by KDD.

(4) KDD shall not allow withdrawal if securities which were the subject of the excluded legal transaction have already been transferred by the seller system member to the KDD securities fiduciary account or if KDD has already placed a stock exchange order or offer for the buy-in of these securities and can no longer cancel the order or the offer respectively.

Buy-in

Article 87

(1) If a buyer system member does not withdraw from the purchase, KDD shall perform a buy-in of securities that were the subject of the excluded stock exchange transaction when there are sufficient funds available for such a purchase on the guarantee fund account.

(2) The securities which are the subject of the buy-in shall be credited to the KDD securities fiduciary account following the buy-in set forth under Paragraph 1 hereof.

(3) Until the buy-in can still be cancelled, the seller system member that was late in the fulfilment of their obligations under Article 77 hereof can transfer securities which are the subject of the buy-in in credit of the KDD securities fiduciary account.

(4) Once the buy-in securities are transferred to the KDD securities fiduciary account and following the receipt of a purchasing price from the buyer system member, reduced by 20 % on the account of a contractual penalty for late payment, KDD shall transfer the said securities in debit of its account and in credit of the buyer's account, while the payment (following the fulfilment of all obligations to the guarantee fund) shall be transferred in credit of the seller system member's cash account.

(5) The seller system member shall compensate the buyer system member for any major damage incurred due to failure to fulfil obligations set forth under Article 77 hereof.

Liability of System Members and Lien

Article 88

(1) In order to guarantee a system member's settlement of obligations, the moment the system member defaults on their obligation set forth hereunder, all securities entered in the central registry owned for its own account by the defaulting system member shall be subject to the following:

1. a lien in favour of other system members participating in the settlement of stock exchange transactions in order to secure the claim for compensation of costs that might debit the guarantee fund due to late payments or failure of fulfilment of obligations by a system member (costs for the provision of coverage in the DCA, costs for a buy-in, etc.), together with legal interest in arrears;

2. a lien in favour of the system member that was the other party in an excluded stock exchange transaction in order to secure the claim for payment of the contractual penalty.

(2) The lien set forth under Item 1 of Paragraph 1 shall have priority over the lien set forth under Item 2 of Paragraph 1 hereof.

Enforcing Liability of a System Member

Article 89

(1) A system member's liability to settle obligations of compensating for costs that might debit the guarantee fund due to late payments or failure of fulfilment of obligations by the system member, together with legal interest in arrears, and their liability to settle the obligation of paying the due contractual penalty shall be duly enforced by KDD at its own discretion.

(2) To this end, KDD shall be entitled to the following:

1. to debit the system member's DCA account if technically possible;
2. enter the lien set forth under Paragraph 1, Article 88 hereof in the central registry and subsequently duly exercise the said lien.

(3) In the event when a system member is liable due to a delay in the payment of their net financial obligations, KDD shall be entitled to perform a sell-out of all the securities that are the subject of the stock exchange transactions in which the defaulting system member has the status of a seller system member and the settlement of which shall be performed on the same settlement day.

(4) A lien may be exercised by KDD upon application of Articles 31 and 33 of ZNVP-1.

(5) KDD shall use the proceeds from the sell-out under Paragraph 3 hereunder or rather from the exercise of a lien under Paragraph 4 hereunder to settle the obligations of the system member liable to the guarantee fund.

Sell-out Based on Creditor Default

Article 90

If the buyer system member defaults on their obligations set forth under Article 78 hereof either upon maturity or within a suitable extended deadline, KDD shall be entitled to sell the securities which were transferred to its securities fiduciary account for the account of the buyer system member based on the said default.

6.5. JOINT LIABILITY OF SYSTEM MEMBERS PARTICIPATING IN THE SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS

Joint Liability of System Members for Settlement of Obligations Arising From Stock Exchange Transactions

Article 91

(1) All system members participating in the settlement of stock exchange transactions shall assume joint liability for the settlement of net financial obligations of a net debtor system members if the respective net debtor system member fails to make good on their obligations in due time.

(2) All system members participating in the settlement of stock exchange transactions shall assume joint liability for the settlement of obligations of a seller system member to ensure conditions for the settlement of the obligation to transfer securities if the respective seller system member fails to make good on their obligations in due time.

(3) System members participating in the settlement of stock exchange transactions shall not assume liability for obligations of individual system members to pay interest in arrears or contractual penalties or compensation for damages due to defaults which occur based on violation of obligations arising from Paragraph 1 or 2 hereof.

Internal Relations between System Members

Article 92

Internal relations between system members involved in the settlement of stock exchange transactions shall mean that each system member shall assume their proportionate share of payments into the guarantee fund according to the balance on the date the respective system member defaulted on the obligation which other system members assume due liability for.

Payments into the Guarantee Fund

Article 93

(1) System members involved in the settlement of stock exchange transactions shall ensure funds necessary to cover their obligations based on their liability pursuant to Paragraphs 1 and 2, Article 91 hereof by making their basic, additional and supplementary payments into the guarantee fund.

(2) The sum of system members' basic payment shall be determined in view of the scope and sum of obligations arising from all stock exchange transactions entered into by all system members, concluded

within a specific period of time, and shall be the same for all system members.

(3) The sum of the system members' additional payment shall be determined with respect to the scope and sum of the obligation of the respective system member which were incurred based on their stock exchange transactions concluded within a specific period of time.

(4) System members shall make supplementary payments into the guarantee fund if funds have already been drawn from the guarantee fund based on the liability set forth under Paragraphs 1 and 2 of Article 91 hereof, or if funds from the guarantee fund are expected to be drawn based on the said liability, with the sum of the funds exceeding that set forth by the regulations.

(5) A detailed method of the calculation of sums, accounting periods and balances of these payments, including due dates of payments, shall be determined by KDD in the regulations.

Lien

Article 94

In order to guarantee payment into the guarantee fund a lien shall be placed on all securities entered in the central registry which are owned for their own account by the defaulting system member immediately once the said system member defaults on payment, with the lien entered in favour of the remaining system members.

Enforcing Liability of a System Member

Article 95

(1) KDD shall be entitled to enforce liability of a system member to settle their obligation of payment into the guarantee fund.

(2) To this end, KDD shall be entitled to enter a lien into the central registry and duly exercise it on behalf and in favour of system members pursuant to Article 94 hereof.

(3) A lien on securities may be exercised by KDD upon application of Articles 31 and 33 of ZNVP-1.

Management of the Guarantee Fund and Disposal of Funds from the Guarantee Fund

Article 96

(1) The guarantee fund is managed by KDD.

(2) Costs incurred through the management of the guarantee fund shall be covered by system members

in proportion to their respective shares in the guarantee fund. Revenues of the guarantee fund belong to system members in proportion to their respective shares in the guarantee fund.

(3) KDD may only invest assets of the guarantee fund into the following types of investments:

1. a deposit held by the Bank of Slovenia;
2. debt securities or other debt financial instruments, issued by:
 - the Republic of Slovenia, the Bank of Slovenia or
 - any other country, central bank, the European Community or other international financial institution which is ranked amongst entities with 0 % credit risk pursuant to regulations of the Bank of Slovenia on bank risk management.

(4) KDD may only perform the following payments from the guarantee fund:

1. to settle net financial claims of net creditor system members;
2. for buy-in pursuant to the Rules hereunder;
3. to cover costs of management of the guarantee fund.

6.6. TRANSFER OF CLAIMS AND ASSUMPTION OF OBLIGATIONS BETWEEN A STOCK EXCHANGE AND A SYSTEM MEMBER

Types of Transfer of Claims and Assumption of Obligations

Article 97

(1) Transfer of claims or assumption of obligations between stock exchange members and system members from stock exchange transactions concluded by a respective stock exchange member may be carried out only in accordance with provisions under this subsection, namely as a general or individual transfer or assumption (hereinafter referred to as: transfer).

(2) General transfer refers to all stock exchange transactions of a stock exchange member.

(3) General transfer may only include financial claims and obligations.

(4) Individual transfer refers only to those stock exchange transactions which the stock exchange member duly designates pursuant hereto.

(5) Individual transfer may include both financial claims and obligations as well as claims and obligations arising from securities. Transfer of financial claims or obligations shall be designated by stock exchange members with the code RK1, while transfer of claims and obligations with respect to securities shall be designated by stock exchange members with the registry code RK3, with transfer of both financial

claims and obligations as well as claims and obligations arising from securities duly designated by stock exchange members with the registration code RK2.

(6) Following the payment into the guarantee fund pursuant to the rules hereunder, the system member shall in their capacity as a potential creditor give their consent to the transfer set forth under Paragraph 1 hereof.

(7) Transferred claims and obligations shall be considered as claims and obligations of the system member whom they were transferred to in relation to KDD and remaining system members from their inception onwards.

General Transfer

Article 98

KDD shall consider general transfer of claims or assumption of obligations between a stock exchange member and system member if said members state that the stock exchange member is transferring while the system member is undertaking all financial claims and obligations arising from stock exchange transactions concluded by said stock exchange member.

Individual Transfers

Article 99

(1) KDD may assign an individual registry code upon request of a system member that wants to undertake the obligations of a stock exchange member. The system member communicates the registry code to the stock exchange member(s) with whom it has agreed on due transfer of obligations.

(2) KDD shall consider respective transfers of claims or undertaken obligations for those stock exchange transactions, which are marked with a registry code.

(3) A stock exchange member shall be deemed to have assigned a particular registry code to a stock exchange transaction if it entered the securities account number related to the said registry code upon entering a query for purchase or submitting an offer to sell securities in the stock exchange trading system.

(4) If the registry code referred to under Paragraph 2 hereinabove is related to a joint account, the stock exchange transaction which the stock exchange member assigned the said registry code to shall be considered to have been concluded in trading for a joint account.

Abstract Transfers

Article 100

A transfer between a stock exchange and system member pursuant to provisions under this subsection shall be considered abstract in relation to KDD and other system members, which means that it is independent from the relationship between the stock exchange and system member based on which they have decided for due transfer, or rather from eventual limitations and objections from said relationship.

Withdrawal from Further Transfers

Article 101

(1) A general transfer of claims or obligations between a stock exchange and system member shall expire when KDD receives a statement of withdrawal from any further transfers from any one of them, respectively.

(2) Respective transfers that use an assigned registry code are no longer possible from the expiry of the deadline when KDD receives a statement from a system member asking said registry code to be disabled, given that all accounts linked to said registry code have been closed by said deadline, otherwise transfers shall no longer be possible from the date this condition is duly met.

7. LIABILITY

Liability of Members

Article 102

A KDD member shall be liable to KDD, to other members and users of KDD services for fulfilment of obligations pursuant to applicable KDD rules, regulations, general terms and tariff.

Liability of KDD

Article 103

(1) KDD shall be liable for any potential errors, shortcomings or other damage that might occur to users of KDD services as a result of actions of the Eurosystem or its members regarding the management and operation of T2S, but only to the amount of damage for which the Eurosystem is liable to KDD. KDD shall not be liable for the choice of T2S nor shall it give any assurance as to its operation.

(2) The highest amount of liability of KDD for damage that might occur to users of KDD services as a result of light negligence of KDD shall be 1,000,000.00 EUR for an individual harmful event.

8. DISPUTE SETTLEMENT

Jurisdiction of Arbitration Agreement

Article 104

- (1) A permanent arbitration panel is set up pursuant to the Arbitration Act.
- (2) Any disagreements, disputes or claims arising from a corporate legal business relation between KDD and a user of KDD services, relating to or arising from breach of obligations under said relationship or termination or invalidity thereof shall be resolved by an independent and unbiased arbitration panel as set forth under Paragraph 1 hereinabove.
- (3) A more detailed account of the operation of the arbitration panel set forth under Paragraph 1 hereinabove is set forth under the KDD rules on arbitration proceedings.
- (4) Paragraph 2 hereof shall not apply if the value of the dispute is under 15,000.00 EUR.
- (5) Paragraph 2 hereinabove shall not apply to any disagreements, disputes or claims arising prior to 1 January 2013.
- (6) Funds for the operation of the arbitration panel set forth under Paragraph 1 hereinabove shall be provided by KDD. This provision does not cancel the provision of the obligation of payment of due compensation for respective arbitration proceedings, and does also not affect the obligation of an unsuccessful claimant to reimburse costs of the arbitration proceedings to the successful party.

9. PROCEDURE GOVERNING THE AMENDMENT OF RULES, REGULATIONS, GENERAL TERMS AND TARIFF

Amendment of Rules

Article 105

(1) Amendments to these rules shall be adopted by the management board and board of directors of KDD upon proposal by the management board.

(2) The management board shall present the proposal of amendment of these rules to the system members at least fifteen days before the date of the session of the board of directors where the latter is set to decide on accepting said amendments.

(3) Amendments to these rules shall become effective on the fifteenth day following the publication in the Official Journal of the Republic of Slovenia, unless KDD sets a shorter deadline on due grounds in a specific case. KDD shall obtain the agency's consent prior to publishing any amendment to the rules.

Adoption and Amendment of Regulations

Article 106

(1) The regulations and amendments thereto shall be adopted by the management board and board of directors of KDD upon proposal by the management board.

(2) The management board shall present the proposal of regulations or amendments thereof to the system members at least fifteen days before the date of the session of the board of directors where the latter is set to decide on accepting said amendments.

Adoption and Amendment of General Terms

Article 107

General terms and amendments thereto shall be adopted by the management board and confirmed by the board of directors.

Adoption and Amendment of Tariff

Article 108

(1) The tariff and amendments thereto shall be adopted by the management board and board of directors of KDD upon proposal by the management board.

(2) KDD shall immediately inform the agency of any changes to the tariff compensation rates, including a substantiation of the grounds for said changes, following publication or due change. If the agency feels that an amendment of the tariff requires initiation of a supervisory procedure with regard to the compliance of the tariff with statutory requirements, the agency shall obtain an opinion from the Bank of Slovenia, while KDD shall provide due proof of compliance of the tariff with statutory requirements.

(3) When KDD sets the tariff for compensation as per Item 2, Paragraph 1, Article 430 of ZTFI for shares of companies that are liable to issue shares in dematerialised form solely based on ZGD-1, it shall also obtain due consent of the Minister of Economy prior to the publication or amendment of the tariff. The Minister of Economy may turn down the said consent if the compensation is not in line with statutory requirements. If the Minister of Economy does not decide on the request for the issue of due consent within 30 days of receipt thereof, said consent shall be considered granted.

Consolidated Text

Article 109

The management board and the board of directors shall adopt the consolidated text upon any amendment of rules, regulations, general terms or tariff.

Publication

Article 110

(1) These rules and amendments hereto shall be published in the Official Journal of the Republic of Slovenia.

(2) Rules, regulations, general terms and the tariff shall be published on the KDD website.

(3) KDD shall publish the consolidated text of any amendments of rules, regulations, general terms or tariff on its website.

10. TRANSITIONAL AND FINAL PROVISIONS

Decommissioning of Temporary Accounts

Article 111

(1) Terminated registry accounts shall be replaced by temporary accounts. Transfer of securities in credit of temporary accounts shall not be possible.

(2) Holders of temporary accounts have to do the following with securities credited to these accounts:

1. transfer their securities in credit of their account maintained by a KDD system member;
2. transfer their securities in credit of a fiduciary account of a rightful holder pursuant to Article 255 of ZTFI, or
3. implement dereliction.

(3) The holder of the account shall submit to the selected system member the order for the transfer of securities in debit of the temporary account and in credit of the account with a KDD system member. Irrespective of the provision above, the holder shall submit the order for transfer directly to KDD if the securities are encumbered. The order shall also be submitted directly to KDD in case of dereliction of securities in debit of the temporary account or in case of their transfer in credit of a fiduciary account of the rightful holder pursuant to Article 255 of ZTFI.

(4) Transfer of securities from temporary accounts in credit of the competent court's account shall be made on the basis of a legally binding court decision on the admission of securities to court deposit. KDD shall submit proposals for transfer of securities to deposit-in-court gradually, taking into consideration the capability of courts, the principle of cost-effectiveness and the following criteria or rather an appropriate combination thereof:

1. transfer for legal entities shall have priority over transfer for natural persons;
2. transfer of lower individual value portfolios shall have priority over transfer of higher value portfolios;
3. transfer of unencumbered securities shall have priority over transfer of encumbered securities;
4. transfer of securities of those issuers that have a higher share of non-transferred securities in issue;
5. transfer of securities of passive holders or rather issuers shall have priority over transfer of securities of active holders or rather issuers (active holders or issuers are those that acceded to processes and procedures with the purpose of compliance with legal requirements if such compliance can be expected in a relatively short period of time).

(5) Provisions of this article shall not prejudice any other legitimate options for dealing with securities.

Entry into Force and Application of Rules

Article 112

(1) These rules shall come into force on the day following their publication in the Official Journal of the Republic of Slovenia and shall apply from the date when the KDD management board establishes that the migration to T2S has been successfully concluded.

(2) Enforcement of these rules shall be subject to the agency's consent.

(3) These rules shall supersede the Operations Rules of KDD (Official Journal of the Republic of Slovenia Nos. 69/2012, 28/2015 and 31/2016). The rules set forth in the previous sentence shall apply until the present rules come into force.

Boris Tomaž Šnuderl

Chairman of the management board

Boris Peric l.r.

Chairman of the board of directors