



## KDD OPERATIONS RULES

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KDD - CENTRAL SECURITIES CLEARING CORPORATION  
LJUBLJANA

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The official text is the Slovene version of this document. Any discrepancies or differences created in the translation are not binding and have no legal effect. In the event of discrepancies between a translated version and the official version, the official version in Slovene shall govern.

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## 1 GENERAL PROVISIONS

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### Article 1 Subject of Rules

- (1) These Rules regulate in detail the general terms of performing KDD services in compliance with Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (hereafter: **Regulation**), in compliance with technical standards adopted on the basis of this Regulation, in compliance with the Book-Entry Securities Act (ZNVF-1), the Financial Instruments Market Act (ZTFI-1), the Takeovers Act (ZPre-1) and other acts.
- (2) These Rules shall be implemented in the respective applicable version in legal relations between KDD and users of its services.

### Article 2 Definition of Used Terms and Abbreviations

- (1) Terms and abbreviations used herein shall have the meanings set forth below:
  - 1/ **KDD** is KDD – the Central Securities Clearing Corporation, included in T2S;
  - 2/ **CSD** is a central securities depository operating a securities settlement system and providing at least one other core service listed in Section A of the Annex to the Regulation;
  - 3/ **Agency** is the Securities Market Agency;
  - 4/ **Stock exchange** is the Ljubljana Stock Exchange;
  - 5/ **MTF operator** is a person who has obtained an authorization to operate a multilateral trading facility;
  - 6/ **Securities** are book-entry securities;
  - 7/ **Central registry** is the central book-entry securities registry maintained by KDD;
  - 8/ **Information system** is the central registry information system;
  - 9/ **T2S (TARGET2-Securities)** is a single technical platform owned by the Eurosystem central banks, the objective of which is the settlement of securities transactions;
  - 10/ **Settlement day** is a T2S settlement day;
  - 11/ **Business day** is a settlement day that is also a business day in compliance with the applicable regulations of the Republic of Slovenia;
  - 12/ **Immediately** is the same working day, unless valid reasons justify a longer period;
  - 13/ **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*.
- (2) A securities settlement system as defined in item (a) of Article 2 of Directive 98/26/EC with regard to item 10, Paragraph 1, Article 2 of the Regulation, or rather a securities settlement system as defined in Article 38 of the ZTFI-1 is constituted of the central registry and of the set of legal relations pertaining to the central registry.

### Article 3 Regulatory Technical Regulations

- (1) Regulatory technical regulations (hereinafter: regulations) set out in greater detail the general terms of performing KDD services.
- (2) The regulations or rather amendments thereto shall be adopted by the KDD management board.

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**KDD SERVICES**

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- (3) The regulations shall be implemented in the 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 Regulations, the provisions of these Rules shall apply.

**Article 3.a Price List**

- (1) The price list sets forth the rate of compensation that KDD is entitled to for the execution of its services. Unless expressly provided otherwise, KDD shall not be obliged to render the service for which it has not received payment.
- (2) The price list shall be implemented in the 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 the Price List, the provisions of these Rules shall apply.

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**2 KDD SERVICES**

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**Article 4 KDD Services**

- (1) KDD shall perform core and ancillary services of the central securities depositories.
- (2) Core services of the central securities depositories performed by KDD shall be as follows:
- 1/ initial book-entry recording of securities in the system (»notarial service«), which, inter alia, includes the issue, deletion and conversion of securities,
  - 2/ providing and maintaining securities accounts at the highest level (»service of the central maintenance of accounts«), which, inter alia, includes maintaining the accounts and maintaining the balance of securities, and
  - 3/ operating a securities settlement system (»settlement service«), which, inter alia, includes the settlement of stock exchange and OTC transactions.
- (3) Ancillary services of the central securities depositories performed by KDD shall be non-bank services related to core services which will not pose any credit or liquidity risks. These services shall be as follows:
- 1/ ancillary services related to the notarial service and the service of the central maintenance of accounts, which, inter alia, include: provision of system membership and access to the information system, provision of entries regarding securities, payment of financial entitlements, implementation of transfers of certain codes of securities, but only in cases when KDD enters orders or parts thereof in the central registry on its own (takeovers, exclusion of minority shareholders), provision of expert support in the implementation of corporate actions, supervision, notification and implementation of corporate actions, issue of balance statements, and the like,
  - 2/ ancillary services related to the settlement service, which, inter alia, include: implementation of entries regarding the securities of a certain holder in cases when KDD does not submit orders or parts thereof to the central registry, matching, recycling and cancelling orders or parts thereof, and similar,
  - 3/ establishment of links between CSDs and provision and maintenance of securities accounts related to the settlement service, and similar,
  - 4/ other services, including: reporting or provision of information to users and public law subjects, provision of IT services, assigning and maintaining the international Legal Entity Identifiers (LEIs) to legal entities, and the like.
- (4) KDD shall enable its users a separate access to services it performs.

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 PROVISION OF THE REGISTRY STRUCTURE
 

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## Article 5

## KDD Securities Fiduciary Account and Fiduciary Cash Accounts

- (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. Pursuant to the law, KDD creditors cannot assert any claims to the balance on the KDD fiduciary account.
- (2) A fiduciary cash account is a bank cash account held by KDD, open in the TARGET2-Slovenia system or in some other relevant system. Pursuant to the law, KDD creditors cannot assert any claims to the balance on the KDD fiduciary cash account.
- (3) KDD DCA is a dedicated cash account held by KDD in the TARGET2-Slovenia system.
- (4) KDD may hold several securities fiduciary accounts or fiduciary cash accounts.

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## 3.1 KDD SERVICES USERS

## Article 6

## Types of KDD Services Users

- (1) KDD services users are the following:
  - 1/ KDD members,
  - 2/ linked CSDs,
  - 3/ stock exchange and other market infrastructure,
  - 4/ other users.
- (2) **Members of KDD** are members-issuers and system members. Types of membership are not mutually exclusive. A KDD member must have a valid international legal entity identifier (LEI).
- (3) **A member-issuer** is an entity issuing securities entered in the central registry.
- (4) **A system member** is an entity enabled by KDD to send orders or parts thereof and other notifications to the central registry. Under the terms set forth herein, a system member can also participate in the settlement of stock exchange transactions.
- (5) **A linked CSD** is a central securities depository that concluded an agreement with KDD in compliance with paragraph 3, Article 48 of the Regulation for the provision of specific services related to a securities account open in the central registry in the name of the respective central securities depository.
- (6) **Other users** are legal entities whose international legal entity identifiers (LEIs) are maintained by KDD, and other persons using the services of KDD.

## Article 7

## Users' Committee

- (1) KDD has a Users' Committee whose purpose is the establishment of direct and effective communication between the KDD management board and the representatives of KDD users regarding all aspects of KDD operations affecting the position of these users. The purpose of the communication is that the users' representatives provide advice to the KDD management board when making decisions about the relevant aspects of KDD operations and monitor the fulfilment of the provisions of the rules and instructions that govern the fulfilment of KDD's obligations to its users.
- (2) The Users' Committee shall consist of three members, whereby two of them shall be representatives of system members, while one shall be a representative of members-issuers.

The constitution and operation of the Users' Committee shall be governed by a policy adopted by the KDD management board.

### 3.2 MEMBERS-ISSUERS

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#### Article 8

##### The Acquisition of a Status of a Member-Issuer

- (1) Every person may become a member-issuer, except persons whose membership was denied by KDD for justifiable reasons.
- (2) Justifiable reasons for the denial of membership shall be a negative outcome of the comprehensive risk assessment or non-provision of services by KDD under the state corporate law governing the securities the respective membership would apply to.
- (3) It shall be presumed that there are no justifiable reasons to deny the issuer membership to a person that wishes to issue securities under the state law in compliance with which KDD provides services.
- (4) A request for the issue of securities submitted by a person that is not yet an issuer of securities in the central registry shall be considered as a request for the issuer membership.
- (5) KDD shall deal with the request for the issuer membership swiftly and in a non-discriminatory manner and shall inform the applicant of its decision within three months at the latest.
- (6) If KDD denies the issuer membership, it shall do so after the performed comprehensive risk assessment and in compliance with Article 89 of the Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation regarding regulatory technical standards proving that the person is not capable or eligible to become a member-issuer. KDD shall deny the issuer membership in the format set out in the Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards in accordance with the Regulation.
- (7) A person that believes their request for the issuer membership was denied by KDD without any justifiable reasons shall have a right to lodge a complaint with the Agency within one month of the receipt of the KDD decision. The complaint shall be lodged in the format set out in the Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards in accordance with the Regulation.
- (8) If, following the consideration of the complaint, the Agency issues an order requiring that KDD grants the issuer membership to the appellant, KDD shall be obliged to do so within a period set out under Paragraph 9, Article 90 of the Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation regarding regulatory technical standards.
- (9) The provisions of Paragraph 6 through 8 hereunder shall apply to the issuers whose securities have already been admitted to trading on regulated markets or MTFs, or whose securities are already traded on trading venues or a request was entered for them to be admitted to trading (Paragraph 1, Article 49 of the Regulation) and would like these securities to be entered in the KDD records.
- (10) Membership status is acquired by entering into a membership agreement with KDD. KDD shall inform the Agency of a new member-issuer.

#### Article 9

##### Issuer Membership Agreement

- (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 meet due



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**PROVISION OF THE REGISTRY STRUCTURE**


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obligations as set forth under the respective applicable version of these rules, regulations and price list.

- (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) A member-issuer shall submit their requests or other notifications for processing in the information system within the scope of their legal capacity, by email and according to the method as set forth by the regulations.
- (5) Information on records of issued securities (unique identification and codes of securities entered in the records, including members issuing said securities) shall be published by KDD on its website.

#### Article 10 Termination of the Member-Issuer Membership

- (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 member-issuer membership shall terminate also if the issuer is excluded by KDD. As regards the reasons and procedure of exclusion, the provisions laying down the denial of a membership request shall reasonably apply. In the event of the exclusion of a member-issuer, KDD shall delete all the securities issued by the said member from the central registry.
- (3) KDD shall be obliged to inform the Agency of the termination of the issuer membership.

### 3.3 SYSTEM MEMBERS

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#### Article 11 Acquisition of a Status of a System Member

- (1) Every person from any of the Member States may become a system member if they meet the requirements set forth in home legislation as well as the terms set forth herein. Persons that are not from Member States may become system members only when KDD supplements the rules hereunder with additional terms and requirements arising out of a range of additional potential risks.
- (2) A person that would like to become a system member:
  - 1/ has to 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; in the case set forth under Paragraph 5, Article 12 hereof, this condition must be met by a system member that is in a direct relationship with KDD as regards payments from securities;
  - 2/ shall ensure the use of a dedicated cash account (DCA) in the TARGET2 system, whereby they shall have a separate DCA should they wish to participate in the settlement of stock exchange transactions;
  - 3/ shall undergo a comprehensive risk assessment in compliance with Article 89 of the Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation regarding regulatory technical standards, as set forth under Paragraph 4 hereunder.
- (3) It shall be presumed that conditions set forth in home legislation are met by a person that performs regulated activities in compliance with a specific law, unless there is a

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process under way that would negatively affect the right of that person to perform the said regulated activity.

- (4) A person that meets the requirements for a system membership under Paragraphs 1 and 2 hereunder may be denied access to membership by KDD if KDD performs a comprehensive risk assessment in compliance with Article 89 of the Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation regarding regulatory technical standards, and the assessment shows that the person is not capable or eligible to be a system member. In order to perform the comprehensive risk assessment, KDD may request from the person that wishes to become a system member to provide proof that they are able to fulfil the legal requirements for becoming a system member, that they are able to comply with the confidentiality rules (including all required legal opinions or legal arrangements), that they have sufficient financial resources to meet their obligations towards KDD, that they have the necessary operational capacity for system membership, that they have the required expertise relating to risk management, that they are familiar with KDD's rules in that regard and are able to ensure compliance therewith, that they have a business continuity policy and a disaster recovery plan put in place, and provide KDD with the information it requires to assess compliance with these requirements (including all required legal opinions or legal arrangements). When assessing operational risks, KDD may take into account the question of whether the granting of access to the system membership requires KDD to undertake significant changes of its operations.
- (5) KDD shall deal with the request for the system membership swiftly and in a non-discriminatory manner, and shall inform the applicant of its decision within one month.
- (6) A person that believes their request for the system membership was denied by KDD without any justifiable reasons shall have a right to lodge a complaint with the Agency within one month of the receipt of the KDD decision. The complaint shall be lodged in the format set out in the Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards in accordance with the Regulation.
- (7) If, following the consideration of the complaint, the Agency issues an order requiring that KDD grants the system membership to the appellant, KDD shall be obliged to do so within a period set out under Paragraph 9, Article 90 of the Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation regarding regulatory technical standards.
- (8) Irrespective of the provisions of paragraphs hereinabove, KDD shall not control the fulfilment of conditions in case of system memberships of the Bank of Slovenia, central banks of another Member State or of the Central European Bank.
- (9) System membership status is acquired by entering into a membership agreement with KDD. KDD shall notify the Stock Exchange, the Agency, Bank of Slovenia and other system members of a new system member:

**Article 12****System Membership Agreement**

- (1) 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 price list. The enabling of information system use includes regular monitoring, maintenance, and information system functionality and security upgrades, taking into account the development and growth in the volume of operations, changes to the systems and platforms operated

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by the Eurosystem, and the technological progress and security of the information environment. KDD carries out supervision, maintenance and upgrades to minimise the impact on the operations of system members.

- (2) A system member shall send orders, parts thereof or other notifications for processing in the information system within the scope of their legal capacity, by email and according to the method set forth by the regulations. This is where a system member can act in the role of a holder's member, pledge member or executive member. A system member shall act in the role of a holder's member when they submit orders, parts thereof or other notifications for the account of a holder or rather future holder (hereinafter: holder's member), they shall act in the role of a pledge member when they submit the above mentioned documents for the account of a pledge creditor or rather future pledge creditor (hereinafter: pledge member); they shall act in the role of an executive member when they submit the orders and notifications upon the authorization 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.
- (3) A system member shall harmonize their record of the balance of securities with data received from KDD on a daily basis. This data shall include the opening and closing balance on a specific day as well as changes during the day. If requested, a system member shall have to submit to KDD data that is required by them to resolve any balance discrepancies.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) By entering into a system membership agreement or by continuation of the system membership, a system member gives prior express consent to KDD to put the lien on all securities owned by the said system member for its own account and to exercise the respective lien in order to guarantee the settlement of due obligations arising from the system membership.

**Article 13**      **Supervision over System Members**

- (1) KDD shall supervise system members in accordance with the provisions of the Regulation, technical standards arising therefrom and the Rules hereunder.
- (2) The supervision shall include the following:

- 1/ KDD shall monitor whether a system member meets their obligations arising from the membership to KDD or to other system members in due time, including obligations set out in the Commission Delegated Regulation (EU) 2018/1229 of 25 May 2018 supplementing Regulation (EU) No 909/2014 with regard to regulatory technical standards on settlement discipline (hereinafter: **Delegated Regulation (EU) 2018/1229**);
  - 2/ KDD shall have access to members' dedicated cash accounts (DCAs) in the TARGET2-Slovenia system;
  - 3/ KDD may request a system member within a period of eight days or more to submit adequate evidence set forth under Paragraph 4, Article 11 hereunder to perform a comprehensive risk assessment;
  - 4/ KDD may request a system member within a period of eight days or more to submit data on their clients or any other data that may affect the comprehensive risk assessment or that may affect settlement discipline;
  - 5/ KDD may request a system member within a period of eight days or more to enable them to see whether the said system member meets the requirements on the site where they perform their business processes related to the membership.
- (3) A system member must participate in periodical tests and reviews of the operational arrangements, policies and procedures that are planned and carried out by KDD in compliance with the Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation regarding regulatory technical standards.
  - (4) A system member who, under KDD's assessment and with regard of the amounts of imposed fines and criteria as set out in Delegated Regulation (EU) 2018/1229, is regarded as a system member with high rates of settlement fails (either by volume or by value), must participate with KDD in determining and eliminating the causes for settlement fails (e.g. by setting stricter requirements for the clients where the causes lie).
  - (5) **A key system member** is a system member that meets at least two of the following criteria:
    - 1/ the value of settlements in which the system member is involved in a six-month period exceeds 15% of the total value of settlements in the said period;
    - 2/ the distribution of securities in the accounts of the system member's clients is such that there is at least one client the value of whose securities represents at least 25% of the total value of all securities in all accounts recorded on the last day of a six-month period;
    - 3/ the system member assumes one of the member obligations on behalf of other members.
  - (6) In order to provide adequate risk management, KDD may request a key system member to use a number of separate usernames and/or a number of separate member codes and/or other appropriate measures to mitigate risks.
  - (7) Irrespective of the provisions of paragraphs hereinabove, KDD shall not supervise system members of the Bank of Slovenia, of the central banks of another Member State or of the Central European Bank.

#### Article 14 Temporary Restriction of Access to the Information System

- (1) If the Agency, Bank of Slovenia or another competent supervisory body of a Member State issues a temporary provision preventing a system member to use in part or in full the information system, KDD shall, following the receipt of notice of such provision, block access to the information system for the duration of the provision in due scope and within the scope of technical capacity.

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- (2) If a system member is late with the payment of their obligations arising from the membership, if they do not enable or take account of the KDD supervision, or if they do not provide data required for the comprehensive risk assessment, or if they are consistently and systematically (within the meaning of Delegated Regulation (EU) 2018/1229) in breach of settlement discipline, or if they are in breach of any other obligations under the applicable rules or regulations, including the allocation of the stock exchange transactions and provision of securities for the settlement of stock exchange transactions, KDD may block the said member from accessing the information system in part or in full.
- (3) Prior to blocking access to the information system in part or in full, KDD shall enable the said member to make known their view on the planned measure. Following partial or full blocking of access to the information system, KDD shall inform the respective member in an unequivocal manner of the conditions that need to be met for the reactivation of access. They shall also set a deadline for meeting the respective conditions within a period of eight days or more.
- (4) The respective system member's obligations shall not terminate while their access to the system is temporarily suspended. KDD shall allow the member to use the information system again when the said member meets the conditions for the reactivation of access.
- (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 within one business day. In an event of temporary suspension due to violations of settlement discipline or in an event of subsequent reactivation, KDD shall consult with the Agency and the Bank of Slovenia beforehand.

**Article 15 Termination of the System Membership**

- (1) The status of a system member shall terminate upon withdrawal or exclusion.
- (2) A system member may withdraw from their membership with a statement of withdrawal, 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.
- (3) KDD may exclude a system member if they fail to eliminate the causes for temporary restriction of access to the information system in the prescribed period of time taking into account that an insolvent system member under Article 16 of these rules is unable to eliminate these reasons, enabling KDD to exclude the member immediately or if the circumstances arise that justify the denial of access to the system membership.
- (4) As regards the exclusion procedure, provisions laying down the denial of the system membership request shall reasonably apply.
- (5) 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.
- (6) Obligations of an excluded system member set forth under applicable rules, regulations and price list 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.
- (7) KDD shall notify the Stock Exchange, the Agency, Bank of Slovenia and other system members of the withdrawal from membership or of the exclusion of a member within one business day.

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**Article 16 Procedure in the Event of System Member Insolvency**

- (1) When KDD establishes that a system member is under an insolvency procedure, they temporarily suspend their access to the information system, cancel all orders or parts thereof that were submitted to the central registry by the said system member and not yet entered in the registry (Article 68 hereunder). KDD also informs the Stock Exchange, the Agency, Bank of Slovenia, the European Securities and Markets Authority (ESMA), the T2S operator, linked CSDs and other system members thereof. The notification submitted to the Agency and Bank of Slovenia shall also include statistical data on the securities and settlements related to the insolvent member in order to assess the implications of insolvency.
- (2) From the moment the access to the information system is temporarily suspended, KDD shall also retain all the amounts of money that would otherwise have been transferred to the system member due to the implementation of corporate actions, and pays those amounts in accordance with the instructions of the liquidator or another administrator as stipulated by law.
- (3) KDD shall not encroach upon orders that had been entered into the central registry prior to the temporary restriction of access to the information system. Following the implementation of the temporary restriction of access and irrespective of the provision under Paragraph 1 hereunder, KDD shall still enable:
  - 1/ the settlement of stock exchange transactions executed on the day when KDD finds out about the insolvency procedure or in days prior to that day, including the allocations;
  - 2/ the entry of orders in accordance with the instructions of the liquidator or rather the insolvency court;
  - 3/ the entry of orders in accordance with direct instructions of the holder of securities who is a client of the system member if such an obligation arises out of a direct legal relationship between KDD and the said holder as per the Regulation.

**3.4 LINKED CSDS**

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**Article 17 Linked CSD**

- (1) The status of a linked CSD may be obtained by a central securities depository from a Member State that meets the requirements for the system membership and that submits an application for the establishment of a link in the format set out in the Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards in accordance with the Regulation. A central securities depository that would like to establish a link needs to cite the type of link they wish to establish (standard / customized). Persons that are not from Member States may become linked CSDs only when KDD supplements the rules hereunder with additional terms and requirements arising out of a range of additional potential risks.
- (2) KDD may deny the request for the establishment of a link to a central securities depository only if such a link would compromise the smooth and orderly functioning of financial markets or cause a systemic risk. Such a denial of request is possible only on the basis of a comprehensive risk assessment that needs to be carried out prior to the establishment of a link. Provisions of the rules hereunder regarding a comprehensive risk assessment in case of persons wishing to become system members shall also reasonably apply to the comprehensive risk assessment.
- (3) KDD shall deal with the request for the establishment of a link swiftly and in a non-discriminatory manner, and shall inform the CSD submitting the application of its decision within three months.
- (4) A CSD that believes their request for the establishment of a link was denied by KDD without any justifiable reasons shall have a right to lodge a complaint with the Agency



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within one month of the receipt of the KDD decision. The complaint shall be lodged in the format set out in the Commission Implementing Regulation (EU) 2017/394 of 11 November 2016 laying down implementing technical standards in accordance with the Regulation.

- (5) If, following the consideration of the complaint, the competent authority within the meaning of the Regulation issues an order requiring that KDD grants the establishment of a link to the CSD, KDD shall be obliged to do so within a period set out under Paragraph 9, Article 90 of the Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation regarding regulatory technical standards.
- (6) The status of a linked CSD is obtained by entering into a CSD link agreement with KDD. KDD shall notify the Stock Exchange, the Agency, Bank of Slovenia and other system members of a linked CSD.
- (7) The link agreement shall define at least the following:
  - 1/ the manner of providing protection against risks that may arise out of the link, including the assurance of the confidentiality of information, mutual communication, testing and mutual disclosure of information on potentially dubious service providers,
  - 2/ whether the linked CSD shall have an agent and how in this case a direct access of the linked CSD shall be enabled to securities maintained on a separate account on its behalf; the agent in this case may be a KDD system member that meets all the requirements based on the system membership,
  - 3/ the harmonization process in order to ensure the accuracy of records, including cases where corporate actions are implemented, whereby KDD undertakes to provide daily information on the opening and closing balance on a specific day as well as changes during the day,
  - 4/ whether the link will enable settlements against payment,
  - 5/ that the governance arrangements of the linked CSD will not affect the smooth provision of services by KDD,
  - 6/ application of law (in the event that several legal systems may apply, a clear distinction has to be made regarding their application and effect),
- (8) KDD shall review every link at least once a year in accordance with Paragraph 1, Article 48 of the Regulation, whereby they shall take into account all the relevant events occurring in the meantime.
- (9) The status of a linked CSD shall terminate upon the cancellation by CSD or by KDD. As regards the cancellation, provisions laying down the withdrawal from membership by a system member shall reasonably apply, while the reasons and the procedure of termination shall be governed by the provisions of the article herein governing the denial of a request for the establishment of a link.
- (10) KDD shall notify the Stock Exchange, the Agency, Bank of Slovenia and other system members of the termination of the status of a linked CSD.

### 3.5 STOCK EXCHANGE AND OTHER MARKET INFRASTRUCTURE

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#### Article 18

#### Connection of the Stock Exchange and Other Market Infrastructure with KDD

The connection of the Stock Exchange and other market infrastructures as per Article 53 of the Regulation shall be governed by the provisions laying down the linked CSDs, except provisions governing:

- 1/ the fulfilment of conditions for the system membership (reasonable fulfilment of conditions for the issuer membership shall be required instead),

- 2/ the conclusion of an agreement with KDD (a protocol related to the operational details of access shall be concluded instead of an agreement).

### 3.6 COMPOSITION OF THE CENTRAL REGISTRY

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#### Article 19

##### Accounts, Auxiliary Accounts, Sub-Accounts

- (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.
- (4) **An auxiliary account** is a method of recording the number of securities for a specific purpose.
- (5) An auxiliary account does not have an owner.
- (6) **A sub account** is a method of recording encumbrances relating to securities credited to the said account.

#### Article 20

##### Classification of Securities

- (1) To classify individual types (genus) of convertible securities, a unique identification shall be assigned to securities based on the relevant international standard. In addition to the unique identification, KDD may also assign a unique short name to an individual type of convertible securities, which shall be in compliance with the relevant international standard, as well as unique short code.
- (2) The unique identification number, unique short code and unique short name of securities are assigned by KDD upon initial issue of securities. The unique identification number and unique short code of the same type of securities shall not change.
- (3) Upon request by an eligible person, KDD may also assign the unique identification number, the unique short name and unique short code to other convertible financial instruments that have not been issued as securities in the central registry.

#### Article 21

##### Maintaining an Account and Maintaining the Balance of Securities

- (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, conversion and transfers of securities, and entries, changes, or deletion of encumbrances). An overdraft in the balance of securities, negative balance of securities or creation of securities in the accounts of holders shall not be allowed.
- (3) Maintaining the balance of securities includes verification and harmonization of the balance of securities in an individual account at the beginning and end of a specific day, taking into consideration also changes during that day.
- (4) 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, data on the type of account and on the system member maintaining the account.

#### Article 22

##### Types of Accounts in the Central Registry

- (1) Types of accounts are as follows:



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- 1/ a client account,
  - 2/ a house account,
  - 3/ a dereliction account (Paragraph 2, Article 63 hereof),
  - 4/ 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. By entering the securities in credit of their house account, a system member gives express consent to KDD to put the lien on these securities in order to guarantee the settlement of the said system member's obligations in cases provided for in the Rules hereunder.
- (4) 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 dedicated account** (Paragraph 1, Article 45 hereof), which also serves as a takeover account (Articles 40 and 41 of ZPre-1).
- (5) A dereliction account and a deposit-in-court account shall be maintained by KDD.

**Article 22.a****Protection of Securities**

- (1) The KDD securities are registered in a client account with a selected system member. Irrespective of the type of account that is credited with the entry of securities, the securities of system members and of other holders are held separate from the KDD securities, whereby the securities of system members and of other holders are protected for cases of insolvency procedures brought against KDD.
- (2) Considering the applicable provisions of the Financial Operations, Insolvency Proceedings and Compulsory Winding-up Act, neither system members nor other holders of securities are obliged in the event of an insolvency procedure brought against KDD to give notification of their right of exclusion or rather their right to separate satisfaction on the securities that they hold or are entitled to.
- (3) System members and their clients may choose between separate ownership of securities for an individual client and collective ownership of securities for all clients together, taking into account their preferences and legal restrictions (Article 296 of ZTFI-1). Collective (fiduciary) ownership of securities may require a client to use legal means or other legal actions in the event of an insolvency procedure brought against the account holder, depending on the provisions of the insolvency law applicable to the account holder. Separate ownership of securities from a viewpoint of an individual client in relation to KDD ensures the client that apart from the transfer in the central registry, no other transfer for legal effect of the transfer of securities into the legal sphere of the client (acquirer) is required.
- (4) The pricing policy of KDD should be such as to facilitate separate ownership of securities of system members' clients.

**Article 23****Technical Settlement Accounts in T2S**

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

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- (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) A dereliction account and a deposit-in-court account are be mapped to one technical settlement account in T2S. A dereliction account and a deposit-in-court account is mapped to a technical settlement account in T2S (N:1 method of mapping).
- (4) Balances on accounts in the central registry must correspond to the balances on technical settlement accounts in T2S.

#### Article 24 Types of Auxiliary Accounts in the Central Registry

- (1) 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 conversion.
- (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 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.

#### Article 25 Data on Account Holders

- (1) The following data is maintained on an account holder:
  - 1/ unique identification of a holder which can be assigned to only one holder;
  - 2/ (in addition to item 1) if the holder is a private individual: their name and surname and address of permanent residence; if the holder is entered into the central population register, the address of permanent residence shall be the address that was communicated as such to KDD by the central population register and no other address was later communicated;
  - 3/ (in addition to item 1) if the holder is a legal entity: the name of the company and its business address;
  - 4/ (in addition to item 1) if the holder is a group of assets with limited legal capacity: the name or designation of the group of assets, and data from items 1 to 3 hereinabove on the manager, umbrella fund or legal representative of the group,
  - 5/ (in addition to item 1) tax ID number,
  - 6/ (in addition to item 1) if the holder is a legal entity that is issued with the international legal entity identifier (LEI): LEI that is assigned by KDD or by another local operating unit (LOU) within the GLEI (Global LEI) system.
- (2) The unique identification of a holder under item 1 shall be as follows:

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- 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 unique 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) Other data on an account holder may also be maintained in compliance with the provisions of the General Data Protection Regulation (*Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC*) and the rules hereunder. In accordance with Article 2(7) of Regulation (EU) 2016/679, KDD is an independent controller of the personal data in the central registry, meaning that the application of the provisions on joint control within the meaning of Article 26 of Regulation (EU) 2016/679 between KDD and system members is excluded.
- (5) The initial entry of data on the account holder is performed upon opening an account.
- (6) The provisions hereunder shall also be reasonably applied to other eligible parties.
- (7) The international Legal Entity Identifier (LEI) may also be assigned and maintained by KDD upon request by an entity that is not an account holder.
- (8) Irrespective of Item 1, Paragraph 1 hereunder, 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. In addition to the name and surname or company name of the holder of the fiduciary account, the »fiduciary account« appendix will also be maintained.

**Article 26**      **Changes to Data on Account Holders**

- (1) KDD shall regularly change the data on account holders based on communications from competent authorities pursuant to Paragraph 4, Article 14 of ZNVP-1.
- (2) KDD shall amend other data based upon request of a system member maintaining an account on behalf of a holder.
- (3) The provisions hereunder shall also be reasonably applied to other eligible parties.

**Article 27**      **The Double-Entry Rule**

All entries in the central registry are made by the double-entry accounting method, where every transfer of securities in the credit of a certain securities account shall also be recorded as a debit on another securities account. KDD daily verifies the balance of securities credited to every securities account against the complete chain of prior entries.

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**4.1 GENERAL PROVISIONS****Article 28**      **Obligation of Implementation through KDD or KDD Notification**

- (1) A corporate action is any action of a member-issuer of book entry securities or a third party, related to the book entry securities, which includes the exercise of rights or performing the obligations stemming from the securities (Paragraph 1, Article 37 of ZNVP-1; Article 1(3) of the Commission Implementing Regulation (EU) 2018/1212 of 3 September 2018 laying down minimum requirements implementing the provisions of Directive 2007/36/EC of the European Parliament and of the Council as regards shareholder identification, the transmission of information and the facilitation of the exercise of shareholders rights), and in the event of which a typical

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acquirer (or acquirer to be) of respective securities as indicated by a transfer instruction submitted in the central registry would expect the formation of a market claim, transformation of the instruction, and/or buyer protection claim.

- (2) Corporate actions need to be performed through KDD. A member-issuer may delegate the performance of legal actions to a system member (hereinafter: ***delegated system member***).
- (3) 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.
- (4) 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.
- (5) KDD shall not be liable for damages as regards the following:
  - 1/ the provision or non-provision of notifications of corporate actions to system members, and the contents of communicated notifications,
  - 2/ the accuracy of information obtained from the records maintained by KDD during the performance of a corporate action and regarding the securities involved in the corporate action,
  - 3/ the completeness and accuracy of data provided to KDD by others, and which KDD further provides to member-issuers in accordance with the regulations governing the encouragement of long-term shareholder engagement; the member-issuer remains entitled and responsible for its decisions in respect of enabling/disabling the exercise of shareholders' rights arising from securities.

#### Article 29 Key Dates for Implementation of Corporate Actions

- (1) Key dates to implement certain corporate actions shall be as follows:
  - 1/ key date to designate 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 respective 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 selection, the day of guaranteed influence of the buyer on the selection within the corporate action and the day of communicating the buyer's selection to the seller;
  - 6/ the date of the implementation of the corporate action (implementation date).

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- (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 selection shall be at least ten business days prior to the last day for communicating the choice;
  - 6/ the last day for communicating the selection 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 selection shall be at least three business days prior to the last day for communicating the selection;
  - 8/ the date of communicating the buyer's selection shall be two business days following the day of guaranteed participation of the buyer in the selection.
- (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 AND OTHER EVENTS

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##### Article 30

##### Notification of General Meetings of Holders and Other Events

- (1) A member-issuer shall be obliged to inform KDD in a manner set forth herein, with or without prior request of KDD, of the planned general meeting of holders of securities and of the general meeting itself, of the extension of the agenda, of any cancellation of the general meeting and of decisions adopted at the general meeting. Upon informing KDD of the convocation of the general meeting, the member-issuer needs to specify whether it has directly informed all shareholders of such (i.e. by notifying each individual shareholder).
- (2) The member-issuer shall, in a manner set forth herein, with or without prior request of KDD, immediately confirm to KDD the receipt of the notice to attend the General Meeting and/or the receipt of the votes in respect of particular proposed resolutions, if the notice to attend and/or receipt of votes occurred through the intermediation by KDD. Confirmation of the receipt of votes does not by itself represent an acknowledgment of the votes.
- (3) Upon request of KDD, the member-issuer shall immediately confirm to KDD the (non-)acknowledgment of the votes cast in respect of particular resolution, if the respective notice to attend and/or declaration of votes occurred through the intermediation of KDD. Acknowledgment of the votes shall mean they were not disregarded (excluded in determining the outcome of the vote), despite the general meeting actually voting on the draft resolution which the votes explicitly referred to. Regarding the (non-)acknowledgement of the votes cast, the member-issuer remains entitled and responsible for its decisions in this regard. When confirming the (non-)acknowledgment, the member-issuer shall uniquely identify the votes which the conformation refers to (time and manner of votes' transmission).

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- (4) KDD shall immediately forward the information received under Paragraph 1 hereof to all system members and information received under Paragraphs 2 and 3 hereof to the system members concerned.
- (5) A member-issuer shall be obliged to inform KDD in the manner set forth by the regulations and no later than by the following business day of any circumstances and events relevant to the proper and timely performance of KDD's services in connection with ongoing corporate actions.

### 4.3 ISSUE OF SECURITIES

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#### Article 31

##### Issue of Securities

- (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. KDD shall be obliged to check and make sure that the number of issued securities equals the sum of issued securities by holder accounts. In the event of unauthorized issue or deletion of securities, KDD shall be obliged to resolve the matter as soon as possible. Should KDD fail to resolve the matter by the start of the next business day, they shall temporarily suspend all settlements of the respective securities until the problem is resolved. They shall also inform the respective member-issuer, system members, the Agency, Bank of Slovenia, the T2S operator, linked CSDs and the Stock Exchange of the suspension.
- (3) The provisions of these rules and regulations on the issue of securities shall also reasonably apply in the event when a member-issuer hands over 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.

#### Article 32

##### Method of Issue of Securities

- (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 simultaneously. If securities are issued regardless of the already existing ownership, they may be issued either simultaneously or subsequently.
- (3) Securities are issued simultaneously through a transitive account maintained by KDD, while subsequently 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).

#### Article 33

##### Simultaneous Issue

- (1) With a simultaneous 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 simultaneous 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.



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**Article 34**      **Subsequent Issue**

- (1) With a subsequent issue of securities, KDD credits one or several transitive accounts for the entire quota 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.

**Article 35**      **Key Dates for the Implementation of Issue**

- (1) The request for the issue of securities by a member-issuer shall be in the form set out in the procedures 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) 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.

**Article 36**      **Special Rules for Certain Issues**

- (1) If securities are issued due to the conversion of paper (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.

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**4.4 DELETION OF SECURITIES**

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**Article 37**      **Deletion of Securities**

- (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 the securities of holders are seized or when they hand over 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.

**Article 38**      **Method of Deletion of Securities**

- (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 simultaneously. If only securities of individually designated holders are deleted, they may be deleted either simultaneously or subsequently.

**CORPORATE ACTIONS**

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- (2) Securities are deleted simultaneously through a transitive account maintained by KDD, while subsequently they are deleted through a transitive account maintained either by KDD or a system member.
- (3) Only securities free from encumbrances may constitute the subject of subsequent deletion.

**Article 39 Simultaneous Deletion**

- (1) With simultaneous 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 simultaneous 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.

**Article 40 Subsequent Deletion**

With subsequent 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.

**Article 41 Key Dates for Implementation of Deletion**

- (1) The request for the deletion of securities by a member-issuer shall be in the form set out in the procedures 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) 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 CONVERSION OF SECURITIES**

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**Article 42 Conversion of Securities**

- (1) Conversion of securities is a corporate action by which the persons involved obtain securities in exchange for the existing securities that are seized.
- (2) Securities are converted when the securities converting the seized ones are issued.
- (3) Issue of securities or handover thereof as a result of conversion shall be reasonably subject to application of provisions under section 4.3. hereof, while deletion or seizure of securities as a result of conversion shall be reasonably subject to provisions under section 4.4. hereof.

**4.6 SPECIAL PROVISIONS FOR ELECTIVE CORPORATE ACTIONS**

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**Article 43 Elective corporate action**

- (1) An elective corporate action is a general meeting or other corporate action whose outcome with respect to each holder's own securities can be influenced by each individual holder. Where another party is entitled to hold the securities instead of the holder, the provisions of this section regarding the actions of the holder and the accounts of the holder shall apply mutatis mutandis.
- (2) An elective corporate action may be performed:



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**CORPORATE ACTIONS**


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- 1/ without affecting the existing balances of securities (a choice is given regarding the item to be handed over or subject to voting under the corporate action);
  - 2/ in the deletion of securities (a choice is given regarding the item to be handed over under the corporate action in exchange for the deleted securities and/or regarding the deletion of the securities itself); or
  - 3/ in the transfer of securities (a choice is given regarding participation in the transfer itself and/or regarding the item to be handed over under the corporate action in exchange for the transferred securities).
- (3) KDD shall provide the member-issuer or its delegated member with real-time access to information on the choices made under a corporate action.

**Article 44 Key Dates**

- (1) A request for the implementation of an elective corporate action by a member-issuer shall contain the notification date, the first and last date for communicating the choice, the date of guaranteed participation of a buyer in the choice, the date for communicating the buyer's choice and the date of implementation.
- (2) Where an elective corporate action is performed without affecting the existing balances of securities, the request shall also contain the date without the elective right, the record date and the delivery date of the interim security incorporating the elective right.
- (3) A request for a general meeting notification shall, instead of the first and the last date for communicating the choice, the guaranteed participation date and the buyer protection deadline, contain the notice of participation deadline and, of the key dates under Paragraph 2 hereof, only the record date.
- (4) Key dates given in a request shall not be binding on KDD. KDD shall take them into consideration within the scope of CASG/CAJWG standards and within their viability.

**Article 45 Elective Procedure within a Corporate Action Other than General Meeting**

- (1) The holder shall perform an election given under an elective corporate action other than general meeting, by transferring the securities, which the election pertains to, to a special account opened for the purpose of exercising the chosen option (hereinafter the: ***dedicated account***).
- (2) Where an elective corporate action is performed without affecting the existing balances of securities, the holder shall not make the choice by transferring the securities giving rise to the right to participate in the corporate action, but by transferring the interim securities to the dedicated account.
- (3) The holder may transfer the securities to the dedicated account from and including the first and until and including the last date for communicating the choice. Unless otherwise provided by law, the holder may cancel a previously made choice until and including the last date for communicating the choice by transferring the securities from the dedicated account to the original account or to another dedicated account held by the holder.
- (4) If the holder fails to make a choice according to the procedure under Paragraph 1 or 2 of this article, the holder shall be deemed:
  - 1/ in the case of a corporate action performed without affecting the balances of securities or in the deletion of securities: to have chosen the default option as determined by the member-issuer;
  - 2/ in the case of a corporate action performed by transferring securities: to have chosen not to participate in the transfer.

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**CORPORATE ACTIONS**

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**Article 46 Mutatis Mutandis Application of Provisions**

- (1) If securities are to be issued, deleted or converted under an elective corporate action or if a payment is to be made under an elective corporate action, the provisions hereof regarding the issue, deletion or conversion of securities or the provisions hereof regarding payments shall apply mutatis mutandis to such issue, deletion, conversion or payment. An issue, deletion, conversion or payment shall always be made only with respect to securities whose holders have chosen such option or in respect of which such option was deemed to be selected as the default option.
- (2) The provisions of these Rules regarding simultaneous issue in credit of accounts of existing holders of certain types of securities shall apply mutatis mutandis to the issue of interim securities.

**Article 47 Special Provisions Regarding Takeovers**

- (1) A takeover is an elective corporate action performed in the transfer of securities (Item 3, Paragraph 2, Article 43 hereof) and may be performed either by means of a transfer by holders of their securities in exchange for payments (Paragraph 3, Article 37 hereof) or by means of a transfer by holders of their securities in exchange for other securities (Article 42 hereof).
- (2) The special provisions hereof regarding takeovers (the provisions of Articles 48 to 50) shall apply mutatis mutandis to a combined, alternative or subsequent takeover bid.

**Article 48 Due Monetary Amount or Bank Guarantee**

- (1) The amount of money that the acquirer must deposit in credit of the fiduciary account prior to the announcement 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 unique 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 unconverted printed documents or for share capital increase, entered in the court register);
  - 2/ securities owned by the acquirer or by persons acting in concert with the acquirer within the meaning of ZPre-1, and that are deposited with KDD, shall be deducted from the total number of securities under Item 1 hereof.
- (2) Deposit of securities from Item 2 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) The 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).
- (5) The provisions of this article shall also apply mutatis mutandis to a substitute takeover bid the subject of which is substitute securities to be deposited by the acquirer prior to the announcement of the takeover bid in accordance with Article 37 of ZPre-1. If the product of the number of securities of the target company that are not deposited with KDD in accordance with the provisions of this article and the offered conversion rate is not a whole number, the next whole number higher than the product shall be applied. A deposit of substitute securities shall be appropriate only if the securities are free and clear of any encumbrances.

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**CORPORATE ACTIONS**

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- Article 49**      **Transfer of Securities in Credit of a Dedicated Takeover Account**
- (1) Securities shall be deemed eligible for transfer in credit of the accepting party's dedicated takeover account only if they are not encumbered or if they are encumbered by encumbrances that are to be deleted upon the transfer of securities to the acquirer's account in accordance herewith.
  - (2) The accepting party can no longer hold the securities entered in credit of the dedicated takeover account.
  - (3) KDD shall cease to disable transfers of securities of the target company in credit of the accepting party's dedicated takeover accounts prior to the expiry of the time limit for the acceptance of the takeover bid if such obligation is imposed by a decision of the Agency.
  - (4) The statement on accepting the takeover bid referred to in Article 40 of ZPre-1 shall be deemed null 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 a choice required by a system member pursuant to Paragraph 6 of Article 69 hereunder needs to be put into effect; or
    - 3/ if the accepting party accepts a competitive takeover bid.
  - (5) In the case specified under Paragraph 4, KDD shall debit the dedicated account and credit any account that was previously debited or the dedicated account for the receipt of the competitive takeover bid.
- Article 50**      **Procedures Following the Receipt of the Agency's Decision on the Outcome of the Takeover Bid**
- (1) When the Agency determines by a decision under Article 56 of ZPre-1 that a takeover bid is successful, KDD shall, following the satisfaction of obligations in favour of the accepting parties, transfer the securities of the target company in debit of the accepting parties' dedicated takeover accounts and in credit of the acquirer's account, and reimburse the acquirer for any surplus deposited by the acquirer over what was necessary to satisfy its obligations in favour of the accepting parties.
  - (2) When the Agency determines by a decision under Article 56 of ZPre-1 that a takeover bid is not successful, KDD shall transfer the securities of the accepting parties in debit of the dedicated takeover accounts and in credit of the accounts in debit of which the securities were previously transferred and reimburse the acquirer for its deposit.
- Article 52**      **Special Provisions Regarding the General Meeting**
- (1) The holder shall make the election enabled within a general meeting elective corporate action by submitting the system member maintaining his securities account a respective notice for the exercise of securities holder's rights (either for own account or for the account of the final holder).
  - (2) The system member shall, immediately after the record date for participation and exercise of voting rights at the general meeting, forward the notice received to KDD, and the member-issuer shall consider such instruction transmitted by KDD as if it were received directly from the holder.
- Article 53**      (deleted)
- Article 54**      (deleted)

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**4.7 PAYMENTS**

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**CORPORATE ACTIONS**

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**Article 55**      **Payments from Securities**

- (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.

**Article 56**      **Key Dates for Implementation of Payments**

- (1) The request for the payment from securities by a member-issuer shall be in the form set out in the procedures 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.

**Article 57**      **Methods of Payment from Securities**

- (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) Irrespective of Paragraph 3 hereunder, KDD may at their discretion make the payment directly to the eligible person if:
  - 1/ they have at their disposal sufficient funds for this purpose,

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**TRANSFERS OF SECURITIES AND OTHER ENTRIES**


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- 2/ by making the payment they do not circumvent the KDD system member that is or should be appointed by the eligible person to maintain their account,
  - 3/ the eligible person cannot receive the payment from the member-issuer because they have transferred the funds to KDD.
- (5) KDD shall, upon request by a member-issuer, reimburse the latter for the amount that has not been paid in accordance with Paragraphs 3 or 4 hereunder and that, in the opinion of KDD, cannot be expected to be paid (in cases of statute of limitations, cancellations, etc.). Reimbursement of the amounts does not reduce or limit the right of the eligible person to request the payment to be made by the member-issuer.
- (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 (in the event of payment under Paragraph 3 hereunder) or by KDD themselves (in the event of payment under Paragraph 4 hereunder).

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## 5 TRANSFERS OF SECURITIES AND OTHER ENTRIES

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### 5.1 GENERAL PROVISIONS

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#### Article 58 Definitions and Application of Provisions hereunder

- (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 cumulatively regarding settlement discipline (buy-in included) and subsidiarily regarding all issues.

#### Article 59 Role of Orders

- (1) To implement transfers and other entries within a legal business framework, 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. A system member may authorise an MTF operator to send orders or parts of orders to the central registry. An order or part of an order sent to the central registry on behalf of a system member by an MTF operator shall be treated in the same manner as an order or part of an order sent to the central registry by such system member.
- (2) An order or a part thereof 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 that stem directly from statutes or other enforceable decisions of state or other competent authorities may also be processed upon orders submitted to the central registry by KDD, however, they shall be so processed if a system member is not enabled to submit such an order (or a part of such an order).
- (4) Provisions hereunder 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, unless prohibited by other provisions.

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## 5.2 TRANSFERS

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### Article 60

#### Matching Orders

- (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 matches via T2S 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 entitled 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 entitled to sell securities encumbered with an order of execution.
- (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.

### Article 61

#### Handling of Submitted Orders

- (1) Matching 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) Ineligible orders or parts thereof shall not be considered by KDD in matching orders. KDD shall attempt to match eligible (validated) orders or parts thereof.
- (3) The regulations state how long KDD attempts to match eligible orders or parts thereof. The regulations state when eligible yet unmatched orders or parts thereof are to be deleted.
- (4) Until KDD does not match due orders or parts thereof, the system member submitting said orders may cancel them.
- (5) Until a bilateral order for the transfer that is created by matching 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.

### Article 62

#### Processing Transfers

- (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:



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**TRANSFERS OF SECURITIES AND OTHER ENTRIES**


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- 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; and
  - 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 of the type (unique identification and code as set forth under Article 20 hereinabove) 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 the 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 on the basis of which due transfer of securities failed shall be deleted.

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**5.3 SPECIAL TYPES OF TRANSFERS**


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**Article 63****Dereliction**

- (1) A holder of book entry 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) Securities registered in an account maintained by a system member shall be considered renounced by a legal entity:
  - 1/ which has been deleted from the court register for more than 1 year, and
  - 2/ which does not have a universal legal successor, and
  - 3/ if within 30 days following the date on which the system member has sent a letter of assumption under this paragraph to the last known address of the respective legal entity, there was no objection from anyone who would be willing to pay compensation due to the system member regarding the respective securities.
- (3) Dereliction of securities shall be performed as a transfer in debit of the holder's account and in credit of the dereliction account.
- (4) 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.
- (5) Until securities of a specific 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.

**Article 64****Court Deposit**

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

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**TRANSFERS OF SECURITIES AND OTHER ENTRIES**


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- (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.

**Article 65 Handling Securities in Deposit-In-Court**

- (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 prescription 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.

**Article 65.a Transfer Initiated by a Buy-in**

- (1) The securities buy-in is a right as well as an obligation of an affected system member to procure for the securities in order for the obligations stemming from a transfer order that is subject to settlement discipline rules enforced by KDD (Article 69.b hereof) to be settled.
- (2) The buy-in shall be handled in observance of the provisions of Article 7 of the Regulation and in accordance with the Delegated Regulation (EU) 2018/1229.
- (3) KDD shall support the buy-in execution when carried out in accordance with previous two paragraphs.
- (4) A system member shall specifically designate a transfer order to perform a buy-in as such and respectively inform of the performed buy-in as provided within the common framework adopted by ECSDA. KDD shall enable the system member to fulfil this obligation in an easily accessible electronic manner.

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**5.4 OTHER ENTRIES**


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**Article 66 Unilateral Order as the Basis**

- (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



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**TRANSFERS OF SECURITIES AND OTHER ENTRIES**


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deletion. A unilateral order shall be eligible if it includes all the component elements set forth under the regulations.

- (2) Paragraph 1 hereunder 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.

**Article 67 Implementation of Entries Based on Unilateral Orders**

- (1) KDD shall attempt to perform entries based on relevant 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 of the type (unique identification and code as set forth under Article 20 hereinabove) 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 illegible orders or parts thereof. Eligible orders or parts thereof on the basis of which the desired entry, amendment or deletion could not be made shall be deleted by KDD.

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**5.5 MOMENT OF ENTRY AND IRREVOCABILITY**


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**Article 68 Moment of Entry and Irrevocability of Orders**

- (1) A bilateral order for transfer shall be considered as entered in the central registry (Article 16 of ZNVP-1, Article 435 of ZTFI-1) 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 435 of ZTFI-1) 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 and final 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 eligible 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, and final when it serves as the basis for crediting the DCA or rather the technical settlement account in T2S to which the securities are to be transferred. KDD shall consider the order or part thereof eligible with regard to the above written when it has received the "valid" status in T2S.

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


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**Article 69**      **Effects of Corporate Actions Regarding Sent Orders**

- (1) A takeover corporate action (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 implemented 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 takeover corporate action shall affect orders under Paragraph 1 hereof in the following manner:
  - 1/ in cases from Items 1 and 3 of Paragraph 1 hereunder, 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 hereunder, 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 hereunder, 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 designation (*ex/cum*);  
each time in the manner and in the amount corresponding to the amount of delivery assigned to the securities that are the subject of a transfer order.
- (3) A conversion corporate action (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 conversion corporate action shall affect orders from Paragraph 3 hereof in a manner so that KDD shall transform them with regard to the conversion 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 an elective corporate 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 selection or the day following it was designated as the trading day, and the day prior to the last day for communicating the selection 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 selection 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 selection. This shall be done by means of a form published on the KDD website.

## 5.7 EFFECT OF SETTLEMENT DISCIPLINE RULES IN RESPECT OF ORDERS SUBMITTED TO CENTRAL REGISTRY

- Article 69.a** **Scope of the Rules Governing Settlement Discipline**
- (1) KDD shall enforce the rules on settlement discipline in accordance with the provisions of the Regulation and of the Delegated Regulation (EU) 2018/1229.
  - (2) KDD enforcement of the rules on settlement discipline does not preclude any other person claiming to be (still more gravely) affected by a breach of rules on settlement discipline to directly pursue, in accordance with general provision of civil law, its claim for compensation of damages or other curtailment from a person deemed liable or unjustly enriched.
- Article 69.b** **Contingent of Securities in Respect of Which KDD Enforces the Rules on Settlement Discipline**
- (1) KDD shall enforce the rules on settlement discipline in respect of all instructions pertaining to securities admitted to trading on trading venues (as defined in Article 4(1)(24) of the Directive 2014/65/EU), disregarding the venue of a particular trade which form the basis for the transfer of securities.
  - (2) The transfer orders to settle stock exchange transactions shall also be deemed the orders in respect of which the rules on settlement discipline shall be enforced.
  - (3) KDD shall not enforce the rules on settlement discipline in respect of such parts of the orders that were not successfully matched.
- Article 69.c** **The Reference Price for the Application of the Sanctions for Breaches of Settlement Discipline**
- (1) The reference price for shares and similar securities constituted under Slovenian law and admitted to organized trading on the exchange (XLJU) shall be the last price on such exchange, given that such a price exists.
  - (2) The reference price for shares and similar securities constituted under Slovenian law and admitted to other trading venues shall be the last price on such exchange on a respective day, given that such a price exists.
  - (3) The reference price for bonds (irrespective of the law of their constitution) and for the shares and similar securities constituted under foreign law shall be the last price on a liquid market (irrespective of such market's status, i.e. regardless of it being an organized market or other trading venue), given that such a price exists.
  - (4) In case no reference price can be determined in accordance with previous paragraphs, the price applied by KDD for the safekeeping of respective securities as provided in KDD's price list then in force shall be deemed referential.
- Article 69.d** **The Level of Cash Penalties**
- (1) The cash penalty shall be levied as a percentage of the reference price for each settlement day that the transfer order fails to be settled from the intended settlement day onwards (such day including) and up to the earlier of the actual settlement day or the cancellation of the transfer order from the central registry (not including such a day).
  - (2) The cash penalty shall be levied in the amount calculated by T2S in accordance with Commission Delegated Regulation (EU) 2017/389 of 11 November 2016 supplementing Regulation (EU) No 909/2014 of the European Parliament and of the Council as regards the parameters for the calculation of cash penalties for settlement

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**SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**


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fails. Any challenges as to the accuracy of cash penalty calculation need to be raised in time limits as enabled by T2S. Afterwards, the penalty calculation becomes final and irrefutable.

**Article 69.e Payment Period and Payment Method**

- (1) The cash penalties shall be enforced and settled monthly and jointly in respect of all settlement days of the previous month.
- (2) The payments shall be performed via DCA observing potential set-offs between penalties claimed and penalties owed for the respective month and the liable system member shall therefore provide sufficient funds on its DCA.

**Article 69.f Payer of Penalties and Entitlement to Receive the Proceeds of Penalties**

- (1) The liable system member (hereinafter: **liable system member**) for the payment of cash penalties levied in respect of a settlement fail is the system member with whom the responsibility for the occurrence of one of two forms of settlement fails – late matching or omitted settlement – lies.
- (2) The liable system member for late matching is the holder's member who operates the securities account in relation to which the respective part of transfer order was submitted to central registry only after the intended settlement date.
- (3) The liable system member for omitted settlement is the holder's member who operates the securities account in relation to which the conditions for KDD to transfer the securities were not met despite the matching being successful. The following priority list of reasons shall be decisive in determining the existence of liability (a reason with a higher priority excludes the lower priority reason):
  - 1/ A system member made explicit instruction to hold the settlement,
  - 2/ A system member did not provide sufficient balance of eligible securities,
  - 3/ A system member did not provide sufficient funds to pay for the securities.
- (4) In respect of a particular settlement order, there can only be one liable system member for late matching for a given settlement day or there can be either one or two liable system members for omitted settlement for a given settlement day, but not both. Liability for late matching can exist up to the actual matching date (the actual matching day being excluded).
- (5) The holder's member of the counterparty is entitled – on behalf of such counterparty – to receive the proceeds of penalties.

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**6 SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**


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**6.1 GENERAL PROVISIONS**


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**Article 70 Application of Provisions hereunder**

- (1) The provisions hereunder shall apply to fulfilment of obligations arising from stock exchange transactions (settlement of stock exchange transactions).
- (2) 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.
- (3) Settlement of stock exchange transactions shall be subject to provisions under Article 68 hereof regarding the moment of entry and the irrevocability of orders.

**Article 71 Definition of Terms**

- (1) Terms used hereunder shall have the following meanings:

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**SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**


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- 1/ ***A stock exchange settlement day*** is the business day on which the obligations, arising from stock exchange transactions executed on any particular trading day become due and is two business days after the trading day.
- 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*** or, as the case may be, ***net payment claim of a system member*** is the positive, or, as the case may be, negative difference 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.
- (2) The provisions 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.

**Article 72**      **Entry of Data on Stock Exchange Transactions Into the Information System**

- (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/ number of the seller's securities account, if it was entered into the stock exchange trading system, or rather data that the sales stock exchange transaction was part of a joint account trade; and
  - 5/ number of the buyer's securities account, if it was entered into the stock exchange trading system, or rather data 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.

**Article 73**      *(deleted)*
**Article 74**      **Liability of System Members for Settlement of Obligations Arising From Stock Exchange Transactions**

- (1) System members shall be obliged to provide 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.

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**SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**


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- (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.

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**6.2 ENSURING CONDITIONS FOR SETTLEMENT OF OBLIGATIONS**


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**6.2.1 GENERAL**


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**Article 75****Principle of Simultaneous Fulfilment of Obligations**

The settlement of the obligation of transferring securities and paying the purchasing price shall be implemented on the principle of simultaneous fulfilment of obligations.

**Article 76****Calculation of Net Obligations**

- (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 calculate the net financial obligation or, as the case may be, the net financial claim for each system member involved in the settlement of stock exchange transactions.
- (2) System member whose net financial obligation pursuant the calculation exceeds an amount laid down 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.

**Article 77****Seller System Member Obligation to Provide Conditions for Settlement of Obligations Regarding Transfer of Securities**

- (1) A seller system member shall provide 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 makes sure that there is a sufficient amount of eligible securities in the seller's account (Paragraph 3, Article 85 hereof). Failure to provide sufficient balance of securities shall be considered as the failure of fulfilment.
- (2) A seller system member who fails in due time to provide conditions for the settlement of their obligation to transfer securities in relation to a particular stock exchange transaction, shall additionally provide the amount equal to the amount of the purchase price of such stock exchange transaction (i.e. the stock exchange transaction in respect of which the failure occurred) or, as the case may be, their claim shall be reduced accordingly for the same amount.



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**SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**

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**Article 78 Buyer System Member Obligation to Provide Conditions for Settlement of Obligations Regarding Transfer of Securities**

A buyer system member shall provide 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 stock exchange 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). Should a buyer system member fail to meet this obligation at 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 respective account data to KDD.

**Article 79 Entry of Sellers' and Buyers' Account Numbers**

- (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 a number which does not correspond to any holder account registered with a seller system member in the central registry has been entered in the stock exchange trading system as a buyer account or a seller account number when trading on account of a client in the stock exchange trading system, the stock exchange transaction shall be considered as having been concluded in trading for a joint account.

**Article 80 Allocation of a Stock Exchange Transaction**

- (1) If a system member's sales transaction has been concluded in trading for a joint account (Paragraph 1, Article 275 of ZTFI-1), the system member shall allocate the transaction by entering in the central registry information system account numbers of sellers and quantities of securities, 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 275 of ZTFI-1), the system member shall allocate the transaction by entering in the central registry information system account numbers of buyers and quantities of securities, 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 debited 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 due to selling their securities in the process of enforcement proceedings based on a due decision issued by a court of enforcement or another competent state body.

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**SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**


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**Article 81**      **Invalid Allocation**

- (1) Allocation under Paragraphs 1, 2 or 4 of Article 80 hereof shall be null:
  - 1/ if the system member has not entered all the necessary data; or
  - 2/ if the system member has entered their own house account number or the house account number of the stock exchange member conducting the stock exchange transaction instead of entering the seller's or buyer's account, except in the event of the allocation of a sales transaction in order to exercise a lien;
  - 3/ in the event of the allocation of a sales transaction in order to exercise a lien: if the sub-account encumbered with lien lacks a sufficient amount of eligible securities (Paragraph 3, Article 85 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 take into consideration the null allocations under 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 providing conditions for transfer of securities pursuant to Item 1, Article 77 or rather Article 78 hereof.

Article 82      *(deleted)*Article 83      *(deleted)***Article 84**      **Provision of Funds**

- (1) A system member shall provide sufficient funds in their DCA for the settlement of their net financial obligations on the stock exchange settlement day (including the financial obligations under Paragraph 2 Article 77 hereof) no later than the hour specified in the regulations.
- (2) If a system member does not settle their net financial obligation (including the financial obligation under Paragraph 2 Article 77 hereof) upon the 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 system member's obligation under Paragraph 1 hereof shall turn into an obligation to immediately repay the sum which was debited 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 price list.

**6.3 SETTLEMENT****Article 85**      **Settlement**

- (1) Prior to the commencement of the stock exchange settlement day, KDD shall block a sufficient amount of eligible securities on the sellers' accounts (Paragraph 3 below). If there should be an insufficient amount of eligible securities on the designated account of the seller, KDD shall block only the available amount of securities, while the remaining amount of securities shall be blocked upon the system member providing for the said securities on the seller's account, given that they do so before the time specified in Article 77 hereof. Blocked securities may not be the subject other entries.
- (2) On the stock exchange settlement day and at the hour specified in the regulations, KDD shall:
  - 1/ in respect of stock exchange trades for which the respective seller system member fulfilled its obligation to provide for the conditions for the transfer of securities, transfer the securities in debit of the sellers' accounts and in credit of the buyers' accounts, immediately after corresponding transfers are made between appertaining technical settlement accounts in T2S;



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**SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**


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- 2/ in respect of every stock exchange transaction for which the transfer from previous item was executed, transfer the respective purchase price in debit of the buyer system member's DCA and in credit of the seller system member's DCA.
- (3) The securities shall be eligible if they are of such type (unique identification and code as set forth under Article 20 hereinabove) as determined by the respective stock exchange transaction was concluded and if they are unencumbered or if these encumbrances are of such nature that they cease upon the transfer of securities to the buyer.

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**6.4 OTHER LEGAL CONSEQUENCES OF LATE SETTLEMENT**


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**Article 86****The Right of Buyer System Members to Withdraw**

- (1) Should the seller system member not provide securities in respect of a particular stock exchange trade, KDD shall request of the buyer system member to elect between cancelling the purchase of securities that were the subject of such trade and insisting on the purchase thereof.
- (2) If the buyer system member cancels 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 insists on the purchase, the seller system member shall be obliged to pay them a penalty in the amount of 20 percent of the purchase price of the undelivered securities. If the buyer system member insists on the purchase, they may subsequently cancel it only if allowed to do so by KDD.

**Article 87***(deleted)***Article 88****Liability of System Members and Lien**

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 KDD 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, together with legal interest in arrears.

**Article 89****Enforcing Liability of a System Member**

- (1) A system member's liability to meet obligations of compensating for costs that might debit the guarantee fund due to late payments or failure of fulfilment of obligations by the respective system member, together with legal interest in arrears, and their liability to meet the obligation of paying the due contractual penalty shall be duly enforced by KDD.
- (2) To this end, KDD shall be entitled to the following:
  - 1/ to debit the system member's DCA account if technically possible;
  - 2/ to withhold or otherwise secure the amount that the system member would otherwise be entitled to receive;
  - 3/ to enter the lien set forth under Paragraph 1, Article 88 hereof in the central registry and subsequently duly exercise the said lien.
- (3) A lien may be exercised by KDD upon application of Articles 31 and 33 of ZNVP-1.

Article 90 *(deleted)*

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

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Article 91 **Joint Liability of System Members for Settlement of Obligations Arising From Stock Exchange Transactions**

- (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 member 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 provide 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.

Article 92 **Internal Relations between System Members**

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.

Article 93 **Payments into the Guarantee Fund**

- (1) System members involved in the settlement of stock exchange transactions shall provide funds necessary to cover their obligations based on their liability pursuant to Paragraphs 1 and 2, Article 91 hereof by making their payments into the guarantee fund.
- (2) The amount of payment shall be determined in view of the amount of obligations arising from all stock exchange transactions entered into by all system members, concluded within a specific period of time.
- (3) System members shall make supplementary payments into the guarantee fund if payments have already been made from the guarantee fund based on the liability set forth under Paragraphs 1 and 2 of Article 91 hereof, or if KDD believes that such payments are probable.
- (4) A detailed method of the calculation of payments, accounting periods and balances of these payments, including due dates of payments, shall be determined by KDD in the regulations.

Article 94 **Lien**

In order to guarantee payment into the guarantee fund, KDD shall put a lien on all securities 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, whereby the lien is entered for the account of the remaining system members.

Article 95 **Enforcing Liability of a System Member**

- (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.

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**SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**

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

**Article 96 Management of the Guarantee Fund**

- (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 transfer 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.

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

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**Article 97 Types of Transfer of Claims and Assumption of Obligations**

- (1) Transfer of claims or assumption of obligations between a stock exchange member and system member from stock exchange transactions concluded by the respective stock exchange member may be carried out only in accordance with the provisions hereunder, namely as a general or individual transfer or assumption (hereinafter: 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 designates pursuant to the Rules hereunder.
- (5) Individual transfer may include 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 RK1 registry code, while transfer of claims and obligations with respect to securities shall be designated by stock exchange members with the RK3 registry code. The transfer of financial claims and obligations as well as claims and obligations arising from securities shall be designated by stock exchange members with the RK2 registry code.
- (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) In relation to KDD and other system members, the transferred claims and obligations shall be considered as claims and obligations of the system member whom they were transferred to from their occurrence onwards.

**Article 98 General Transfer**

KDD shall take into account the 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

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claims and obligations arising from stock exchange transactions concluded by said stock exchange member.

**Article 99 Individual Transfers**

- (1) KDD may assign an individual registry code upon the request of a system member that wants to assume 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 take into account individual transfers of claims or assumed obligations for those stock exchange transactions, which are designated 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 they entered the securities account number related to the respective 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 3 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.

**Article 100 Abstract Transfers**

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

**Article 101 Withdrawal from Further Transfers**

- (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) Individual transfers using the assigned registry code are no longer possible from the end of the day on which 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 day. Nevertheless, transfers shall no longer be possible from the expiry of the day this condition is duly met.

**7 LIABILITY**

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**Article 102 Liability of Members**

- (1) A KDD member shall be liable to KDD, to other members and users of KDD services for fulfilment of obligations pursuant to applicable rules, regulations and price list.
- (2) Should the actions of a KDD member result in an overdraft in the balance of securities or in a shortfall of securities, the respective member shall immediately make up for the missing amount of securities. Should this not be possible, the said member shall compensate the affected person for the value of lost securities due to the restoration of the balance of securities.

**Article 103 Liability of KDD**

- (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.

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 SETTLEMENT OF DISAGREEMENTS AND DISPUTES
 

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- (2) Should the actions of KDD result in an overdraft in the balance of securities or in a shortfall of securities, KDD shall immediately make up for the missing amount of securities. Should this not be possible, KDD shall compensate the affected person for the value of lost securities due to the restoration of the balance of securities. Should there be an overdraft in the balance of securities or a shortfall of securities which are not a result of the actions of a KDD member or KDD, the value of lost securities due to the restoration of the balance of securities shall be allocated among holders of the same types of securities in proportion to their respective shares. This shall not affect the rights of holders to demand compensation from a third party responsible for the overdraft or shortfall of securities.
- (3) 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 SETTLEMENT OF DISAGREEMENTS AND DISPUTES

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### Article 104

#### Types of Disagreement and Their Settlement

- (1) **Disagreements** are differences that arise between KDD and users of their services regarding the legal assessment of the meaning and the consequences of actions taken by KDD when providing services in compliance with the Regulation and / or legal acts adopted pursuant thereto.
- (2) KDD shall take into consideration the disagreement if a user of their services presents it in one of the following forms:
  - 1/ initiative for amendment,
  - 2/ complaint,
  - 3/ appeal.
- (3) **An initiative for amendment** may be submitted by the user of KDD services when they believe that KDD acted in compliance with the Regulation and legal acts adopted pursuant thereto; however, the respective legal acts could still be amended, supplemented or applied in some other manner, whereby the user promotes such amendments, supplements or different applications. The initiative for amendment may be submitted in any manner.
- (4) **A complaint** can be lodged by the user of KDD services when they believe that KDD acted in contravention of the Regulation and of legal acts adopted pursuant thereto and to the detriment of the user; however, the actions can still be changed and the consequences of the actions have not yet occurred or can easily be remedied. The complaint can be lodged in any manner.
- (5) **An appeal** can be lodged by the user of KDD services when they believe that KDD acted in contravention of the Regulation and of legal acts adopted pursuant thereto and to the detriment of the user, whereby the consequences of such actions cannot be prevented or easily remedied. An appeal can also be made when the user is not satisfied with how their complaint was resolved. The appeal shall be lodged with the KDD management board.
- (6) The initiative for amendment, complaints and appeals have to contain information on the appellant or their representative as well as their signature, description of the KDD action that caused the person to complain and argumentation why such an action requires the submission of complaint, appeal or initiative.
- (7) KDD shall deal with the initiative for amendment and decide thereon within 2 months from the receipt thereof; they shall deal with complaints and decide thereon within 15 days from the receipt thereof, while the appeals will be dealt with and decided on

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**AMENDMENT OF RULES AND PRICE LIST**


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within 1 month from their receipt. KDD shall inform the appellant of their decision and possible measures within the same deadlines. If their decision is negative, they need to provide a well-founded and transparent explanation of the decision, while the appellant has to be familiarized with major reasons for such a decision.

- (8) KDD will return incomplete initiatives for amendment, complaints and appeals to the appellant, and a new deadline for the completion thereof shall be set which must not be shorter than 8 days. Initiatives for amendment, complaints and appeals that will remain incomplete after this period will not be dealt with by KDD.
- (9) It is the KDD management board that needs to deal with appeals and decide thereon. Prior to making any decisions, the KDD management board may obtain an opinion of experts or other persons that are directly affected by the appeal. If the management board establishes that the actual state of affairs needs to be explained prior to making any decisions, they can hold a hearing to which they invite the appellant and possibly also the above mentioned experts or persons directly affected by the appeal. Invitation to the hearing must be delivered to the appellant at least 8 days prior to the hearing date. If the management board decides to hold a hearing, the decision regarding the appeal must be made within 2 months. If the appellant does not attend the hearing and does not provide an excuse for their absence, it shall be considered that they withdrew their appeal.

**Article 105 Arbitration Agreement in Dispute Settlement**

- (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 from the termination or invalidity thereof, and which could not be settled in the manner set out in the previous article, 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. If KDD estimates that the application of the law of another EU Member State is required to settle the dispute or claim or if this is required by any of the parties of the arbitrary procedure because of the reference to the law of another EU Member State, KDD shall ensure that the dispute or claim is decided by an arbiter who is versed in the law of the respective EU Member State.
- (4) Paragraph 2 hereof shall not apply if the value of the dispute is under 15,000.00 EUR.
- (5) 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.

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**9 AMENDMENT OF RULES AND PRICE LIST**


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**Article 106 Amendment of Rules and Price List**

- (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 and to the users' committee at least fifteen days before the date of the session of the board of directors where the latter is set to decide on adopting said amendments.



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**AMENDMENT OF RULES AND PRICE LIST**

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- (3) Amendments to the price list shall be adopted by the management board and board of directors of KDD upon proposal by the management board.
- (4) The management board shall present the proposal of amendment of the price list to the users' committee at least fifteen days before the date of the session of the board of directors where the latter is set to decide on adopting said amendments.
- (5) KDD shall immediately inform the Agency of any changes to the price list rates, including a substantiation of the grounds for said changes, following publication or due change.
- (6) When KDD sets the compensation as per Item 2, Paragraph 1, Article 442 of ZTFI-1 for shares of companies that are obliged to issue shares in book entry form based solely on ZGD-1, it shall also obtain due consent of the Minister of Economic Development prior to the publication or amendment of the price list. The Minister of Economic Development may turn down the said consent if the compensation is not in line with the Regulation requirements or statutory requirements within the Regulation. If the Minister of Economic Development does not decide on the request for the issue of due consent within 30 days of receipt thereof, said consent shall be considered granted.

**Article 107 Consolidated Text**

The management board and the board of directors shall adopt the consolidated text upon any amendment to these Rules or the Price List.

**Article 108 Publication**

- (1) These Rules and amendments thereto, the price list and amendments thereto, as well as the consolidated text of the Rules and consolidated text of the price list shall be published on KDD's website.
- (2) KDD shall also publish on its website information in respect of temporary suspended system members and system members whose membership has been terminated as well as the information in respect of settlement fails as provided in Delegated Regulation (EU) 2018/1229.

**Interim provision**

The provisions of these rules in respect of the entitlements to securities that were prior to 31 August 2019 credited to temporary (provisional) accounts, shall be regardless of their cancellation further applied for the period until the actual transfer of the securities to the debit of all respective sub accounts.