

The Board of the Central Securities Depository of Lithuania

DECISION

December 7, 2006

REGARDING THE SECURITIES TRANSFER RULES

Following par. 1.1 of the Article 49 of the Republic of Lithuania Law on Securities Market, the Board of the Central Securities Depository of Lithuania:

1. Approves the Securities Transfer Rules (Attached).
2. Establishes that the Rules come into effect on 22 January 2007.
3. Establishes that upon the coming into force of the new Rules the “Instruction on Settlement of Securities Transactions of Secondary Trading Concluded Off-Exchange” and “Instruction on Free-of-Payment Securities Transfers” will be void.

Chairman of the Board

Artūras Keleras

APPROVED BY
the Board meeting of the Central
Securities Depository of Lithuania
on 7 December 2006
Minutes No 5

SECURITIES TRANSFER RULES

I. GENERAL PROVISIONS

1. These Rules regulate the procedure for the transfer of securities in the securities settlement system (further the SSS) of the public company Central Securities Depository of Lithuania (further the Central Depository) and the relevant settlement and accounting procedures. These Rules do not regulate transfers of securities arising from settlement of transactions concluded on the regulated market.
2. Definitions in these Rules are used in the same meaning as defined in the SSS Rules.

II. TYPES OF INSTRUCTIONS

3. All transfer instructions (further the Instructions) provided for in these Rules shall be drawn up and submitted to the SSS through the Messaging System of the Bank of Lithuania in an electronic form, which is based on ISO 15022 and ISO 20022 standards, except when these Rules or other regulations and agreements establish otherwise.
4. The SSS participant can place the following Instructions:
 - 4.1. **Deliver free of payment**¹ – it is an Instruction by the SSS participant to transfer securities to another general securities account.
 - 4.2. **Receive free of payment**² – it is an Instruction by the SSS participant to receive securities from the other general securities account.
 - 4.3. **Deliver against payment**³ - it is an Instruction by the SSS participant to transfer securities to another general securities account and simultaneously receive cash into the designated settlement account from the other SSS participant's account;
 - 4.4. **Receive against payment**⁴ - it is an Instruction by the SSS participant to receive securities from the other general securities account and simultaneously transfer cash to the other SSS participant into the designated settlement account;
5. By one Instruction it is possible to transfer the securities belonging by ownership to or under possession of only one person.
6. Instructions shall be delivered in due time specified in the schedule of the SSS. Settlement movements generated on the basis of Instructions shall be executed in due time specified in the schedule of the SSS. When placing an Instruction, the SSS participant can choose the date and time of execution of the Settlement movement generated on the basis of the said Instruction.
7. The SSS shall generate each Settlement movement:
 - 7.1. on the basis of the Instruction „Deliver free of payment“ or „Receive free of payment“, where securities are transferred between the general accounts of the same SSS participant;

¹ **FREDE** - with reference to the document "Financial reports and documents of SSS".

² **FREERE** - with reference to the document "Financial reports and documents of SSS".

³ **DVPDE** - with reference to the document "Financial reports and documents of SSS".

⁴ **DVPRE** - with reference to the document "Financial reports and documents of SSS".

7.2. on the basis of two directly intercorrelated Instructions - „Deliver free of payment“ and „Receive free of payment“ or „Deliver against payment“ and „Receive against payment“.

III. THE PROCEDURE FOR THE PLACEMENT AND EXECUTION OF INSTRUCTIONS

8. An Instruction can be placed in the SSS at the time chosen by the SSS participant but not earlier and not later than the cut-off time for the submission of Instructions⁵.

9. When placing an Instruction “Deliver free of payment”, the SSS participant shall specify the person from whose account the securities will have to be debited by the SSS participant.

10. When placing an Instruction “Receive free of payment”, the SSS participant shall specify the person to whose account the securities will have to be credited by the SSS participant.

11. When placing an Instruction “Deliver against payment”, the SSS participant shall specify the person from whose account the securities will have to be debited and to whose account cash will have to be credited by the SSS participant.

12. When placing an Instruction “Receive against payment”, the SSS participant shall specify the person to whose account securities will have to be credited and from whose account cash will have to be debited by the SSS participant.

13. The SSS participant must provide in his Instruction the information prescribed by regulations about the clients involved in the settlement. In the case of a transfer of securities held in the account which has been opened on behalf of a pledgee or a financial collateral holder (without the right of transfer of ownership), the required data on the owner of such securities must also be indicated.

14. In the case the Instruction “Deliver against payment” placed in the SSS identifies the SSS participant delivering securities and the SSS participant receiving cash as two different persons, the settlement movement generated on the basis of such an Instruction must be confirmed by a special document “Confirmation of the settlement movement”⁶ of the person receiving cash.

15. In the case the Instruction “Receive against payment” placed in the SSS identifies the SSS participant receiving securities and the SSS participant delivering cash as two different persons, the settlement movement generated on the basis of such an Instruction must be confirmed by a special document “Confirmation of the settlement movement“ of the person delivering cash.

16. The SSS participant shall not be allowed to change the Instruction placed with the SSS. The Instruction may only be revoked by the SSS participant by delivering a message „Revoke the Instruction or change the terms and conditions of the settlement movement“⁷.

17. Once the SSS has started executing the settlement movement generated on the basis of the Instruction, the said Instructions may not be revoked.

18. Having ascertained that the Instruction submitted by the SSS participant cannot be executed and having rejected the Instruction, the SSS shall notify the said SSS

⁵According to the Schedule of the SSS.

⁶TRANCON - with reference to the document “Financial reports and documents of SSS”.

⁷SETCHG - with reference to the document “Financial reports and documents of SSS”.

participant by providing a message „Settlement Status and Processing Advice“⁸, stating the reasons for the rejection of the Instruction concerned.

19. Having ascertained that the Instruction submitted by the SSS participant can be executed, the SSS shall search continuously for directly correlated Instructions and match them (except the case provided for in paragraph 22). In the event of failure to find any Instruction eligible for matching, the SSS on the basis of the received Instruction shall immediately generate and send to its counterparty-SSS participant a message „Settlement Allegement“⁹, whereas to the SSS participant, who has submitted the Instruction, - a message „Settlement Status and Processing Advice“.

20. Upon receipt of the message „Settlement Allegement“, the SSS participant can generate on its basis a relevant counter-Instruction and immediately forward it to the SSS. The Instruction must include the identification number of the counterparty's Instruction on the basis of which the above-mentioned Instruction is being generated.

21. Having received the counter-Instruction from the counterparty and having matched the Instructions, the SSS shall generate settlement movement, which shall be executed immediately or on the settlement day specified in the Instructions (and at the specified time, if the latter has been provided for in the submitted Instruction). The SSS shall deliver to its participants, who have placed the Instructions, a message „Settlement Status and Processing Advice“, notifying about the matching of the Instructions concerned.

22. Upon submission by the SSS participant of an Instruction “Deliver free of payment” or “Receive free of payment”, when securities are to be transferred between the general accounts of the same SSS participant, the SSS having ascertained that such an Instruction can be executed shall generate on its basis a settlement movement, which will be executed immediately or on a specified date (and specified time, if the latter has been provided for in the submitted Instruction). The SSS shall send a message “Settlement Status and Processing Advice” to the SSS participant. In case the Instruction is executed immediately, a message „Instruction confirmation“¹⁰ shall be sent to the SSS participant.

23. In the case that securities are transferred from special personal securities accounts, the SSS participant transferring the securities must provide the SSS participant receiving the securities with the copies of all the documents on the basis of which the transferability restrictions have been imposed. The SSS participant receiving such securities can act in the manner prescribed in paragraph 20 of the Rules only after the receipt of the copies of the above-mentioned documents.

24. If no relevant counter-Instructions has been received by the SSS by the date (and specified time if the latter has been provided for in the submitted Instruction) set in the initial Instruction, the SSS shall not execute but remove it from the SSS.

IV. SETTLEMENT PROCESS

25. No partial settlement according to the generated settlement movement is feasible. This settlement movement shall be included in the general queue for the execution of real time gross settlements together with the settlement movements of regulated market transactions.

⁸SETADV - with reference to the document “Financial reports and documents of SSS”.

⁹SETALG - with reference to the document “Financial reports and documents of SSS”.

¹⁰CONFIRM - with reference to the document “Financial reports and documents of SSS”.

26. The SSS participant can change by the document „Revoke the Instruction or Change the Terms and Conditions of the Settlement Movement“ only the terms and conditions of the settlement movement, by which the settlement of the second part of the repurchase transaction is executed. Such a document must be placed prior to the beginning of the execution of the settlement movement of the second part of the repurchase transaction.

27. Beginning to execute any settlement movement generated on the basis of the Instruction, the SSS shall check, whether the amount of securities in the general securities account of the SSS participant delivering the securities is sufficient, and in case of FOP transfer, shall transfer securities to the specified general securities account and notify the SSS participants sending a message „Instruction confirmation“, whereas in case of DVP transfer, it shall block the amount of securities required for settlement on the general securities account of the SSS participant delivering securities and place within the Bank of Lithuania's Payment system LITAS (further - the Clearing bank) third party payment order, specifying the amount of cash to be transferred from the settlement account of the SSS participant delivering cash into the settlement account of the SSS participant receiving cash.

28. The third party payment order placed by the SSS shall be executed at the Clearing Bank immediately provided that there is a sufficient amount of cash on the settlement account of the SSS participant.

29. In case of a DVP transfer, having received a notification on cash transfer, the SSS shall immediately transfer securities between the securities accounts specified in the settlement movement and notify the SSS participant sending a message „Instruction confirmation“.

30. In case of a DVP transfer, where the settlement movement identifies the SSS participant delivering cash and the SSS participant receiving cash as the same SSS participant, the SSS sends to the SSS participant a document „Instruction processed by a third party“¹¹, where it specifies the amount of cash to be transferred between the IBAN accounts of the clients represented by the SSS participant. The SSS shall execute the settlement movement, without waiting for the confirmation from the SSS participant.

31. The SSS shall provide in real time a list of all settlement movements by their status in the Participants' Secure Information Site.

32. At the close of the settlement day¹² the SSS shall deliver the following messages to SSS participants:

32.1. „Statement of Pending Transactions“¹³;

32.2. „Statement of Securities Account“¹⁴- for those SSS participants, in whose general securities accounts there have been any movements on that day (securities have been transferred).

V. THE PROCEDURES TAKEN IN CASES OF SECURITIES AND (OR) CASH DEFAULTS

Securities default

33. If, while checking the general securities account of the SSS participant, the SSS identifies securities default (in case of a FOP transfer it fails to transfer securities between general accounts and in case of a DVP transfer it fails to block a sufficient amount of securities on the general account for settlement), the SSS shall immediately

¹¹ **TTPARTS** - with reference to the document "Financial reports and documents of SSS".

¹² According to the Schedule of the SSS.

¹³ **STPEND** - with reference to the document "Financial reports and documents of SSS".

¹⁴ **STTRAN** - with reference to the document "Financial reports and documents of SSS".

deliver to the SSS participants specified in the settlement movement messages “Settlement Status and Processing Advice“, whereby notifying them of the securities default on the general securities account.

34. By the close of the accounting day¹⁵ the SSS shall repeatedly try to execute the settlement movement postponed due to the securities default, however it shall not notify the SSS participants of any repeated securities default.

35. Having identified that the securities default is eliminated the SSS shall continue performing the actions specified in paragraphs 27-32 of the Rules.

36. In the event that the securities default has not been eliminated by the close of the settlement day¹⁶, the SSS shall remove this settlement movement from the SSS and send to the SSS participants specified in the settlement movement messages „Statement of pending transactions“, whereby notifying them of the removal of the settlement movement due to securities default.

Cash default

37. In the case of failure to execute the placed third party Instruction at the Clearing bank due to the shortage of cash on the settlement account of the SSS participant delivering cash, the Instruction shall be transferred to the queue for the execution of Instructions and executed repeatedly till the close of the business day of the Clearing bank¹⁷.

38. If the cash default is not eliminated by the close of the business day of the Clearing bank, the SSS and its participants shall receive at the close of the Clearing bank’s business day messages concerning the removal from the queue of the third party payment order not executed due to cash default.

39. Having received the message regarding the removal of the third party payment order not executed due to cash default from the queue for the execution of Instructions, the SSS shall remove the relevant settlement movement from the SSS and notify the SSS participants specified in the Settlement movement about the removal of the settlement movement due to cash default by sending messages „Statement of operations pending processing“.

VI. THE SPECIFIC FEATURES OF THE SECURITIES TRANSFER TO/FROM ACCOUNTS OF THE SSS PARTICIPANT – FOREIGN SECURITIES DEPOSITORY

40. The SSS participant, intending to transfer foreign securities into the securities account of the SSS participant – foreign securities depository (further – the Foreign Depository) or transfer foreign securities from the account of the Foreign Depository to its own account, shall place with the SSS one of the Instructions provided for in the Rules. Such an Instruction and the settlement movement generated on its basis shall be executed according to the terms and conditions and the procedures stipulated in the agreement between the Central Depository and the Foreign Depository.

41. The Foreign Depository can place with the SSS other Instructions not provided for in these Rules, if it has agreed with the Central Depository on the placement and execution of such Instructions.

42. A securities transfer between the accounts of the SSS participant and the Foreign Depository may be initiated by the SSS participant, who is delivering or receiving

¹⁵ According to the Schedule of the SSS.

¹⁶ According to the Schedule of the SSS.

¹⁷ According to the Schedule of the SSS.

securities, by placing with the SSS a relevant Instruction¹⁸, or by the Foreign Depository,- by placing with the SSS the document stipulated in paragraph 41 of the Rules.

43. The FOP Instruction to transfer securities to/from the Foreign Depository must specify a person from whose account the securities will have to be debited/credited.

44. The DVP Instruction to transfer securities to/from the Foreign Depository must specify a person from whose account the securities will have to be debited/credited and to whose cash account the amount of cash will have to be credited or from whose cash account the amount of cash will have to be debited.

¹⁸ Only the Central depository participant delivering securities can initiate securities transfer between the central depositories of Lithuania and Estonia.