

RESOLUTION  
OF THE LITHUANIAN SECURITIES COMMISSION

**CONCERNING THE AMENDMENT TO THE RESOLUTION NO 22 OF 29  
DECEMBER 2003 OF THE LITHUANIAN SECURITIES COMMISSION ON THE  
APPROVAL OF THE ACCOUNTING RULES FOR FINANCIAL INSTRUMENTS AND  
THEIR CIRCULATION**

28 December 2007 No. 1K-34  
Vilnius

The Lithuanian Securities Commission hereby *r e s o l v e s*:  
To amend the Resolution No 22 of 29 December 2003 of the Lithuanian Securities Commission On the Approval of the Accounting Rules for Financial Instruments and their Circulation (Official Gazette “Valstybės žinios” No. 13-413, Nr. 104-3880) and lay it down in a new wording (attached).

CHAIRWOMAN OF THE SECURITIES COMMISSION

VILIJA NAUSĖDAITĖ

APPROVED BY  
The Resolution No 22 of December 29, 2003 of the  
Lithuanian Securities Commission  
(The wording of the Resolution No 1 K-34 of December  
28, 2007 of the Lithuanian Securities Commission)

**ACCOUNTING RULES FOR FINANCIAL INSTRUMENTS AND THEIR  
CIRCULATION**

**I. THE PURPOSE OF THE RULES AND LEGAL BACKGROUND**

1. These Accounting Rules for Financial Instruments and Their Circulation (hereinafter referred to as the Rules) shall regulate the procedure and conditions for the opening, managing and closing of financial instruments accounts, book entry transfers of financial instruments between financial instruments accounts, the accounting principles of financial instruments and tiers of accounting of financial instruments, as well as set the obligations of the financial instruments account managers and the procedure for supervision of account managers.

2. These Rules shall also apply to the accounting of financial instruments and their circulation when carried out by the Central Securities Depository of Lithuania (hereinafter referred to as the Central Depository) and account managers (in a two tier system of accounting of financial instruments).

3. The system of accounting of financial instruments shall be subject to the provisions of paragraph 10 of Article 1.101 of the Civil Code of the Republic of Lithuania.

4. The legal background for these Rules is paragraph 1 of Article 64 of the Republic of Lithuania Law on Markets in Financial Instruments (hereinafter referred to as the Law) and paragraph 32 of Article 2 and Article 96 of the Republic of Lithuania Law on Collective Investment Undertakings.

5. These Rules shall apply to the accounting of the financial instruments issued by collective investment undertakings and their circulation to the extent determined in Chapter XII of these Rules.

6. These Rules shall apply to the accounting of claims, which arise from foreign financial instruments (held on non-proprietary accounts of the Central Depository opened in foreign central and international depositories) to the extent determined in Chapter XIII of these Rules. Such claims within the meaning of these Rules shall be considered financial instruments.

These Rules shall be applied to the accounting of other foreign financial instruments to the extent determined in Chapter XIII of these Rules.

7. The concepts as used in these Rules:

7.1. The regulating documents of the Central Depository – rules, instructions, orders, enforcement notes and other documents of the Central Depository regulating accounting of financial instruments and their circulation.

7.2. Issuer – an entity issuing or having already issued the financial instruments to which these Rules are applicable.

7.3. ISIN code – an International Securities and Related Financial Instruments' Identification Number granted in compliance with ISO standard 6166.

7.4. Payment system – a payment system administered by the Bank of Lithuania and/or European Central Bank.

7.5. Securities settlement system (hereinafter referred to as the SSS) - a securities and other financial instruments' settlement system administered by the Central Depository.

7.6. Account manager – an entity specified in par. 1 of Article 65 of the Republic of Lithuania Law on Markets in Financial Instruments and a participant of the Securities settlement system. The concept of a participant of the Central Depository is not identical with the concept of a participant of a legal person, provided in Article 2.45 of the Civil Code of the Republic of Lithuania. Within the meaning of these Rules the management company of the collective investment undertaking, when managing accounting of the financial instruments issued by collective investment undertakings, shall also be recognized as the account manager.

7.7. Foreign central depository – a depository of a foreign state, international depository, a depository of the settlement system, or other entities carrying out the central depository functions.

7.8. Unless the Rules provide otherwise, all other concepts shall be used within the meaning specified in the Republic of Lithuania Law on Markets in Financial Instruments, Securities Law, or other laws and regulations.

## II. ACCOUNTING SYSTEM FOR FINANCIAL INSTRUMENTS

8. The system of accounting of financial instruments is an entirety of financial instruments accounts managed in two interrelated tiers by the Central Depository and account managers and a whole set of regulating documents and principles governing account management and correspondence.

9. The following accounting principles for financial instruments shall be binding upon the Central Depository and all account managers:

9.1. **The double book entry principle.** Each operation with financial instruments shall be recorded by two entries in corresponding accounts. The first entry shall be made in the debit side of one account and the second in the credit side of the counterpart account. In specific cases entries may be made in one account (in the debit and credit sides). Entries in accounts shall be made simultaneously on the basis of relevant documents and must be equal in value.

9.2. **The principle of obligatory registration of all operations.** The account managers and the Central Depository must keep the Consolidated Journal of Operations, which shall specify in a chronological order all operations and all transactions made with respect to the financial instruments that are held in appropriate accounts or that are in acquisition, identifying the owners of the financial instruments, with the exceptions provided for in par. 2, 3, 4 and 5 of Article 64 of the Republic of Lithuania Law on Markets in Financial Instruments (in the books of account managers), or the account managers (in the books of the Central Depository), and giving abbreviated names (codes) of operations.

9.3. **The principle of separate accounting for each issue of financial instruments.** Financial instruments of each issue shall be kept in separate financial instruments accounts.

9.4. **The principle of segregation of accounting.** The account managers must run separate accounting with respect to their own and each client's financial instruments, whereas the Central Depository in conducting general accounting of financial instruments must run separate accounting of financial instruments managed by each account manager as well as financial instrument holdings of these account managers and holdings of their clients.

This principle *mutatis mutandis* shall also apply to cash accounting.

9.5. **The principle of transparency.** Accounting entries made by account managers must clearly identify the owners of financial instruments as well as the financial instruments held in the personal accounts opened in their name (except for the derogations provided for in par. 2, 3, 4 and 5 of Article 64 of the Republic of Lithuania Law on Markets in Financial Instruments). Entries in the books of the Central Depository must clearly identify the account managers as well as the financial instruments held in their general accounts.

9.6. **The principle of simultaneity:**

9.6.1. Delivery versus Payment (DVP) principle implies that delivery of financial instruments is related with the receipt of cash or vice versa.

While settling the transactions in financial instruments, the Central Depository shall initially block the required amount of the financial instruments in the financial instruments account of the delivering account manager in the first tier of accounting of financial instruments and simultaneously instruct the payment system on the transfer of cash between the cash accounts of the account managers, whereas upon the receipt from the payment system of the notification regarding a successful cash transfer between the specified cash accounts, it shall transfer the earlier blocked financial instruments between the specified accounts. In the second tier of financial instruments accounting the account managers shall record such operations on the basis of the notification, received from the SSS and payment systems, simultaneously making entries in the client cash account, in personal financial instruments account and in related technical accounts.

9.6.2. Delivery versus Delivery (DVD) principle implies that delivery of financial instruments is related with the receipt of other financial instruments.

While settling the concluded transaction in financial instruments, the Central Depository shall carry out financial instruments transfer operations against the delivery of other related financial instruments (which settle the underlying financial instruments) initially blocking the amount of all financial instruments required for the execution of the transaction in the financial instruments accounts of the account managers in the first tier of accounting of financial instruments. Upon successfully blocking the amount of the financial instruments required for the execution of the settlement in the account managers' financial instruments accounts, the Central Depository shall immediately start the transfer of the blocked financial instruments between the specified accounts. In the second tier of financial instruments accounting, the account managers shall record such operations on the basis of the notification, received from the SSS, making entries in the client's personal financial instruments account and in related technical accounts.

10. The Central Depository shall conduct general accounting of financial instruments and must ensure that in carrying out settlement or taking other actions with financial instruments, these financial instruments would be timely transferred from the financial instruments account of one account manager to the financial instruments account of another account manager and must control the correspondence of the total number or value (where a financial instrument is recorded by value only) of financial instruments of each issue with the number or value of financial instruments that are actually in circulation.

11. The tiers of accounting of financial instruments and the description of financial instruments accounts used therein:

11.1. the first tier of accounting of financial instruments shall include the following accounts opened and managed by the Central Depository:

11.1.1. the financial instruments issue registration accounts, which contain the total amount of one issue of financial instruments launched by an issuer. The financial instruments issue registration accounts shall also specify the amount or value, where a foreign financial instrument is recorded by value only, of foreign financial instruments (held in Central Depository accounts opened with foreign central depositories, which hold financial instruments owned by participants/clients of the Central Depository). The financial instruments issue registration accounts must be opened at the Central Depository to all financial instruments.

11.1.2. the general financial instruments accounts opened on behalf of account managers; Every account manager must hold (safekeep) in different general accounts the financial instruments owned by its clients and the financial instruments belonging by ownership right to the account manager himself.

11.1.3. the general financial instruments accounts opened in the name of foreign central depositories. These accounts shall hold financial instruments of the participants/clients of such depositories. In terms of the Lithuanian system of accounting of financial instruments, the same requirements shall be applied to such depositories mutatis mutandis as to other account managers;

11.1.4. the personal financial instruments accounts opened on behalf of the Bank of Lithuania;

11.1.5. the accounts opened on behalf of the Bank of Lithuania for financial instruments, pledged as collateral to the European central bank or to the central bank of another member state;

11.1.6. the accounts opened on behalf of the Bank of Lithuania for financial instruments, transferred to the ownership of the European central bank or the central bank of another member state in the process of carrying out repurchase agreements or other transactions;

11.2. The second tier of accounting of financial instruments shall consist of accounts opened and managed by account managers:

11.2.1. the balanced (with the Central Depository) financial instruments accounts;

11.2.2. the personal financial instruments accounts opened on behalf of the owners of the financial instruments. Entries in these accounts shall provide the proof of ownership, except for the derogations prescribed in par. 2, 3, 4 and 5 of Article 64 of the Republic of Lithuania Law on Markets in Financial Instruments. In compliance with the procedure established by these Rules the personal financial instruments accounts shall also register restrictions of transferability of financial instruments and other encumbrances, as well as the financial instruments delivered to a pledgee or a financial collateral holder;

11.2.3. the technical financial instruments accounts, which shall be used for record-keeping of settlements.

11.3. Statements of positions of financial instruments in accounts of the first and second tiers shall be drawn up in order to ensure integrity of the accounting system. In drawing up the statement of positions of financial instruments in accounts, the number of financial instruments in the debit side of the statement must be equal to their number in the credit side.

11.3.1. in drawing up a statement of positions of one issue of financial instruments in accounts of the first tier, the number of the financial instruments in the issue registration account must be equal to the number of the financial instruments of the same issue in all other financial instruments accounts opened in the first tier of accounting;

11.3.2. in drawing up a statement of positions of financial instruments in accounts of the second tier of accounting, which bear the same first tier account's requisites, the number of financial instruments on accounts managed by account managers in the second tier of accounting must be equal to the number of financial instruments on the account balanced with the Central Depository. The total amount of financial instruments held in all technical accounts must always equal zero;

11.3.3. the wholeness and integrity of accounting of financial instruments between the first and second tiers shall be ensured by keeping the number of financial instruments held in account manager's account balanced with the Central Depository (the second tier of accounting of financial instruments) equal to the number of financial instruments, held in the corresponding general financial instruments account of the account manager (the first tier of accounting of financial instruments). Entries in the second tier of accounting of financial instruments shall be made immediately on the basis of the statement of account from the first tier of accounting of financial instruments.

11.4. The schedule of operations to be carried out during the accounting day of the Central Depository shall be set by the Central Depository.

12. The minimum chart of securities accounts of the second tier of accounting of financial instruments:

12.1. The Central Depository shall set:

12.1.1. the minimum chart of financial instrument accounts, which must include all financial instruments accounts mentioned in paragraph 11.2 of these Rules;

12.1.2. the correspondence of financial instrument accounts;

12.1.3. the procedure for the opening and use of financial instruments accounts.

12.2. The account managers may, according to their accounting needs, expand the minimum chart of financial instruments accounts established by the Central Depository and create new sub-accounts within the category or sub-category of accounts.

13. The principle accounting documents and the procedure for making records therein.

13.1. The following accounting documents must be drawn up and maintained in the first and second tiers of financial instruments accounting;

13.1.1. the consolidated journal of operations;

13.1.2. financial instruments accounts;

13.1.3. a statement of financial instruments positions;

13.1.4. a statement of financial instruments account.

13.2. The consolidated journal of operations shall register in a chronological order all operations in financial instruments. The consolidated journal of operations must meet the following requirements:

13.2.1. Entries in the consolidated journal of operations must be made immediately upon receiving all the required documents for operations with financial instruments (unless the document specifies the later accounting date);

13.2.2. The following parameters must be indicated in the consolidated journal of operations: the accounting date, the entry code, the name of financial instruments, the parameters of financial instruments accounts, the number or value of financial instruments (where a financial instrument

is recorded by value only) and the abbreviated name of operation (code), as well as the date and time of entry and the identification code of the person, who has made the entry;

13.2.3. All entries must be supported by valid documents (statements of general financial instruments accounts, reports on the results of trading on the regulated markets or multilateral trading facilities, instructions placed by account managers to the Central Depository, financial instruments transfer agreements or other documents specified in regulating acts.).

13.3. Entries in financial instruments accounts shall be made immediately following the recording of entries in the consolidated journal of operations. The financial instruments account must specify: the accounting date and time, the entry code, the name of financial instruments, the parameters of the financial instruments accounts, the number or value of financial instruments (where a financial instrument is recorded by value only), the nominal value of financial instruments (if available), the abbreviated name (code) of operation, and the parameters of the corresponding financial instruments account, as well as the date and time of entry and the identification code of the person, who has made the entry;

13.4. In addition to other fixed parameters, the personal financial instruments account must specify the first name and surname (name of undertaking) and the identification code of the owner of financial instruments. The account of financial instruments pledged or transferred as financial collateral (without transfer of title) must provide the data specified in this sub-paragraph also with regard to the pledgee or the collateral holder and owner of the financial instruments.

13.5. In the event that the personal financial instruments account is opened on behalf of an account manager registered in a foreign state and its client accounts are opened in the name of that account manager together with reference that he acts as account manager, in addition to other fixed parameters, the personal financial instruments account must specify the name of the said foreign account manager. On request of the Securities Commission or the Central Depository, the data from the accounts indicated in this paragraph must be submitted to it, disclosing the foreign account managers' clients, to whose benefit the securities have been acquired. The enforcement of this requirement lies within the responsibility of the account manager acting in the Republic of Lithuania who is managing such an account of the foreign account manager.

13.6. The statement of positions in financial instruments must be drawn up after each accounting day. The statement of positions in financial instruments must specify the following: the accounting day, the name of financial instruments, the parameters of the financial instruments accounts, and the number of financial instruments in accounts.

13.7. Immediately after taking actions as provided for in paragraphs 13.2 - 13.5 of these Rules, the owners of financial instruments (account managers) must be provided with a statement of the financial instruments account, unless the agreement with the owner of the financial instruments (account manager) stipulates otherwise. The statement of the financial instruments account must specify the following: the accounting day, the name of financial instruments, the parameters of the financial instruments account, the number of financial instruments, the nominal and market value (if applicable), the entry code, the abbreviated name (code) of the operation and the date of issue of the statement.

13.8. The Central Depository shall establish a detailed procedure for filling in the financial instruments accounting documents.

13.9. Apart from the accounting documents specified in this paragraph of the Rules, the Central Depository shall additionally form and provide to account managers information messages, which are stipulated in the Rules on the Securities Settlement System.

13.10. The Central Depository shall place on its Internet website public notices concerning the Central Depository's participants, issue registration accounts opened with the Central Depository and other stock events registered by it, the regulations of the Central Depository, amendments thereto, the Rules on the Securities Settlement System and other information.

### **III. PARAMETERS OF FINANCIAL INSTRUMENT ACCOUNTS**

14. A financial instruments account shall consist of the following parameters: ISIN code of financial instruments, Central Depository participant code, type of activity, nature of account, account number and client identification number. Not all the parameters listed above may be available with respect to some of the financial instruments accounts – the exceptions shall be set by the Central Depository. The Central Depository can also fix other additional parameters of financial instruments accounts.

15. In compliance with the transparency principle and other requirements set forth in these Rules, the Central Depository shall lay down the codification structure for the parameters of financial instruments accounts and their use.

#### **IV. OPENING, MANAGEMENT AND CLOSURE OF FINANCIAL INSTRUMENTS ACCOUNTS IN THE FIRST ACCOUNTING TIER OF FINANCIAL INSTRUMENTS AND ALLOCATION OF ISIN CODE**

16. One issue registration account for financial instruments and at least one general financial instruments account or an account mentioned in paragraphs 11.1.3 - 11.1.6 of these Rules shall be opened to every issue of financial instruments held in the first accounting tier. The abovementioned first tier financial instruments accounts shall be opened for the purpose of financial instruments circulation control and, except for the accounts provided for in paragraphs 11.1.4 - 11.1.6 of these Rules, shall give no proof of ownership to the financial instruments.

17. For the purpose of primary trading in financial instruments (unless the traded financial instruments issue is added immediately to the previously registered issue of financial instruments), the Central Depository on request of the issuer or issuer's agent shall allocate ISIN code to the offered issue prior to the opening of the financial instruments issue registration account.

18. The ISIN code shall be allocated subject to the procedure prescribed by the Central Depository.

19. The procedure for the opening of the issue registration account for financial instruments with the Central Depository:

19.1. The issuer or issuer's agent, not later than within 1 business day of the registration of the By-laws (or amendments thereto) with the Register of Legal Persons, and in case of debt or other non-equity financial instruments - within 1 business day of the end of distribution of such instruments must submit to the Central Depository the documents required by the Central Depository for the opening of the financial instruments issue registration account.

19.2. The Central Depository must examine the documents and take a decision on the opening of (or making adjustments to) the financial instruments issue registration account within 1 business day of the receipt of all the required documents and payment of the fixed amount fee for the opening (or adjustment) of the issue registration account.

19.3. The financial instruments issue registration account shall not be opened (or adjusted) unless all the required documents have been submitted or the data specified in the documents has been accurate or in conformity with the requirements set for them, or the established fee for the opening of (making adjustment to) the issue registration account has been paid.

19.4. The notification to the issuer or the issuer's agent concerning the refusal to open (or make adjustments to) the issue registration account shall state the drawbacks and inaccuracies found. Upon eliminating the deficiencies, the issuer or issuer's agent may repeatedly apply to the Central Depository according to the general procedure.

19.5. Having satisfied the request to open (or make adjustments to) the issue registration account, the Central Depository, within 2 business days shall allocate an ISIN code to the issue of financial instruments (or the same ISIN code shall be left if it has been allocated under the procedure established in paragraph 17 of these Rules), open a financial instruments issue registration account (or make adjustments to the previously opened account) and make necessary entries in the financial instruments issue registration account as well as in the general financial instruments account of the account managers.

19.6. The Central Depository shall notify the issuer or the issuer's agent about the opening (or adjustment) of the financial instruments issue registration account with a letter, which shall specify the date of the opening (or adjustment) of the financial instruments issue registration account and the ISIN code allocated to the issue of financial instruments. On the basis of the statement of the general financial instruments account, the issuer's agent and other account managers handling the accounts of financial instruments issued by the issuer, according to the procedure established by the Central Depository shall immediately make corresponding entries in the personal financial instruments accounts.

19.7. In cases where an account for unpaid financial instruments has been opened with the Central Depository for the financial instruments issued by the issuer, in order to transfer the financial instruments from the account for unpaid financial instruments to the current account, the

issuer's agent must file with the Central Depository a report of the set form on financial instruments offering results.

20. The financial instruments issue registration accounts shall be closed and the ISIN codes allocated to the issues of financial instruments shall be cancelled in compliance with the procedure established by the Central Depository.

21. While acting as an account manager, the Central Depository must comply with all the requirements imposed on account managers.

## **V. OPENING, MANAGEMENT AND CLOSURE OF FINANCIAL INSTRUMENTS ACCOUNTS IN THE SECOND ACCOUNTING TIER OF FINANCIAL INSTRUMENTS (IN THE BOOKS OF ACCOUNT MANAGERS)**

22. Account managers shall be entitled to open and manage personal and technical financial instruments accounts only after becoming Central Depository participants (the above requirement does not apply to the Central Depository itself when it acts as account manager).

23. In the event that an account manager has been deprived of the status of the Central Depository participant, the Central Depository shall stop carrying out operations related to the participant concerned (except for the operations related to the transfer of securities accounting to other account managers), while the account manager shall forfeit the right to manage personal financial instruments accounts, i.e. the entries made by such an account manager in personal financial instruments accounts after the deprivation of the status of the Central Depository participant shall become invalid.

24. Opening, management and closure of personal financial instruments accounts:

24.1. The personal financial instruments accounts shall be opened on the basis of agreement between the account manager and the client, except for the case provided for in paragraph 24.2 of these Rules .

24.1.1. The account manager may open more than one personal financial instruments account to the same client.

24.1.2. The balance of financial instruments in personal accounts must only be positive or equal to zero.

24.2. The issuer's agent must open current personal financial instruments accounts for every owner of the financial instruments issued by the issuer (a pledgee, a financial collateral holder, or an account manager registered abroad), who has not declared in writing that he is transferring management of the account to another account manager. The issuer's agent shall open personal accounts for the financial instruments issued by the said issuer without concluding any agreements with the holders of financial instruments (pledgees, financial collateral holders, or account managers registered abroad).

24.3. Operations with financial instruments held in personal accounts shall be carried out on the basis of clients' orders, investment decisions made while managing client's financial instruments portfolio, investment decisions made by an account manager carrying out operations in his own name and on his own account, as well as on the basis of the financial instruments transfer agreements and on other legitimate grounds. Entries in personal financial instruments accounts without the owner's consent may be made only in cases prescribed by law as well as under the procedure laid down by the Central Depository on correction of mistakes. In carrying out any operation with financial instruments held in personal accounts, the account manager must verify the legitimacy of such an operation.

24.4. The account managers must keep all the documents, on the basis of which entries have been made in financial instruments accounts, in accordance with the procedure and the terms established by law and other legal acts of the Republic of Lithuania.

24.5. The account managers shall have the right to provide information on the balances in personal financial instruments accounts only to the account holder or to the persons indicated by the account holder. Other persons shall be supplied with such information in cases and according to the procedure prescribed by law.

24.6. The account managers must provide the Central Depository with the lists of owners of financial instruments, where the latter exercises the issuer's right specified in par. 4 of Article 65 of the Republic of Lithuania Law on Markets in Financial Instruments.

24.7. In case an agreement between the account manager and the issuer concerning management of accounts for financial instruments issued by the latter is terminated, the issuer not later than the same day must conclude an agreement with another account manager with regard to

the management of the issuer's accounts for financial instruments issued by the issuer concerned. In the event that the issuer fails to do that, he must provide the Central Depository with all information from personal and other financial instruments accounts managed under the abovementioned agreement.

24.8. In case the account manager loses the status of participant of the Central Depository, the client, who has made an agreement with this account manager on accounting (safe-custody) of client's financial instruments, shall have the right to terminate the agreement. Upon termination of the agreement on these grounds, the account manager must transfer management of personal financial instruments accounts to another account manager indicated by the client, and in the event that the latter has failed to indicate such an account manager – to the issuer's agent. If there is no possibility to transfer management of personal financial instruments accounts to the issuer's agents concerned, the procedure established in paragraph 24.7 of these Rules shall apply.

24.9. Characteristic features of the opening and management of special personal financial instruments accounts:

24.9.1. Financial instruments that have additional transferability restrictions or other encumbrances, except for the ones specified in the issue documents of these financial instruments or the standard acts regulating thereof, shall be held in special personal financial instruments accounts. If transferability restrictions or other encumbrances of these financial instruments are set out in their issue documents or other related regulating acts, such financial instruments shall be held in current personal financial instruments accounts.

24.9.2. The account managers must open the number of special personal financial instruments accounts that would correspond to the number of different transferability restrictions or other encumbrances of the financial instruments of every issue handled by them. In cases where financial instruments have several transferability restrictions or other encumbrances of the same nature, every subsequent restriction or encumbrance shall be recorded in a special personal account opened for financial instruments with reference to the first transferability restriction or encumbrance.

24.9.3. Financial instruments from current personal financial instruments accounts to special personal financial instruments accounts shall be transferred immediately after the receipt of the documents determining transferability restrictions or other encumbrances of the financial instruments, unless these documents specify another date of execution.

24.9.4. Financial instruments from special personal financial instruments accounts to current personal financial instruments accounts shall be transferred as soon as the documents canceling transferability restrictions or other encumbrances of the financial instruments are received, unless these documents specify another date of execution.

24.9.5. The financial instruments held in special personal financial instruments accounts shall not be involved in any operations except for the ones which are allowed by legal acts and/or documents, which determine transferability restrictions or other encumbrances.

24.9.6. The account managers, who have infringed the requirements of paragraphs 24.9.3 - 24.9.5 of these Rules, shall be liable under the procedure established by laws of the Republic of Lithuania, and they shall indemnify the damage inflicted upon third parties due to the infringement of the requirements of the above-mentioned paragraphs in accordance with the general procedure established in the Civil Code of the Republic of Lithuania.

24.10. Characteristic features of the opening and management of personal accounts to be opened in the name of a pledgee or a financial collateral holder:

24.10.1. Personal accounts opened in the name of a pledgee or a financial collateral holder shall keep accounting records of pledged financial instruments (transferred to a pledgee) or financial instruments transferred as financial collateral (without any transfer of ownership). The account opened in the name of a pledgee or financial collateral holder must also specify the owner of the financial instruments concerned.

24.10.2. Financial instruments from current personal financial instruments accounts shall be transferred to the financial instruments accounts opened in the name of a pledgee or financial collateral holder immediately after the receipt of a written agreement in compliance with the requirements of laws on the pledge of the financial instruments or financial instruments collateral arrangement (except for the cases when the above mentioned documents specify another date) or on other grounds prescribed by laws.

24.10.3. Financial instruments from personal financial instruments accounts opened in the name of a pledgee or financial collateral holder shall be transferred to current financial instruments accounts immediately after the receipt of the documents certifying the termination of the right to the pledge, or a confirmation of fulfillment of obligations secured by the financial

collateral (unless these documents specify another date for the transfer of the financial instruments).

24.10.4. Financial collateral arrangements may lay down a different procedure for the transfer of financial instruments to the accounts opened in the name of financial collateral holder (or from such accounts to personal accounts), than the one provided for in paragraphs 24.10.2 - 24.10.3 of these Rules.

24.11. Opening and management of technical financial instruments accounts:

24.11.1. Technical financial instruments accounts of account managers shall be opened for the purpose of registering movements of financial instruments during the settlement cycle and (or) the process of allocation of financial instruments. Entries in technical financial instruments accounts shall not be deemed as the proof of ownership to the securities held thereon.

24.11.2. The procedure for the opening and management of technical financial instruments accounts shall be laid down by the Central Depository.

## **VI. SUPERVISION OF THE CENTRAL DEPOSITORY AND ACCOUNT MANAGERS. THE REGULATING DOCUMENTS**

25. The Securities Commission shall supervise the activities of the Central Depository and its participants according to the procedure prescribed by law.

26. The Central Depository shall inspect whether the account managers comply with the requirements for proper management of financial instruments and their circulation.

26.1. The Central Depository shall be entitled to demand:

26.1.1. that its staff members gain free access to the premises of account managers and examine accounting books;

26.1.2. that the account managers submit all documents related to the inspection;

26.1.3. explanations from employees of the account manager (explanations shall be included in the account manager's inspection report);

26.1.4. that the account managers file electronic databases of the parameters (with the exception of the parameter of financial instruments account – client identification code) of the consolidated journal of operations according to the structure of electronic database approved by the Central Depository.

26.2. Having finished an inspection, the authorized employee of the Central Depository shall write down an inspection report, which is signed by the said employee and the head of the account manager under inspection or the executive in charge of financial instruments accounting. While signing the inspection report, the head of the account manager under inspection or the executive in charge of financial instruments accounting shall have the right to write down his explanations concerning the findings set forth in the report. In the event that the head of the account manager under inspection or the executive in charge of financial instruments accounting refuses to sign the report, such refusal shall be noted in the inspection report. One copy of the report shall be left for the account manager who has been inspected.

26.3. The Central Depository shall disclose the violations detected during the inspection to the Securities Commission, which within its competence shall take necessary measures with regard to the account manager.

26.4. Having identified violations during the inspection of the account manager, the Central Depository shall give him binding instructions to eliminate the violations listed in the inspection report. If the account manager fails to eliminate the violations during the period set by the Central Depository, the latter shall have the right to stop providing its services to or close the general financial instruments accounts of the participant concerned (transferring the financial instruments held in these accounts to the general accounts of the issuer's agent) and withdraw the status of participant of the Central Depository from such an account manager.

27. Separate accounting procedures for financial instruments and their turnover shall be fine-tuned by the regulating documents of the Central Depository.

28. The regulating documents of the Central Depository shall be binding on all issuers, account managers and other market participants.

## **VII. THE GENERAL ACCOUNTING PRINCIPLES FOR FINANCIAL INSTRUMENTS TRANSFERS**

29. The financial instruments in the first and second tiers of financial instruments accounting shall be transferred between the accounts in accordance with the procedure laid down by the Central Depository.

30. Settlement of transactions in financial instruments of the primary and/or secondary trading concluded on or off the regulated markets and multilateral trading facilities and to which the principle of simultaneity (DVP and DVD) is applicable, shall be carried out in accordance with the procedure prescribed by the regulating documents of the Central Depository.

31. Settlement of transactions in financial instruments of the secondary trading concluded off the regulated markets and multilateral trading facilities and to which the principle of simultaneity is not applicable, shall be carried out in accordance with the procedure prescribed by the regulating documents of the Central Depository.

32. Settlements executed in compliance with the simultaneity principle:

32.1. of transactions concluded on the regulated markets;

32.2. of transactions concluded on the multilateral trading facilities;

32.3. of buy-sell transactions concluded off the regulated market and/or multilateral trading facility (when the parties choose the DVP settlements);

32.4. of other transactions, where the parties have agreed to comply with the DVP principle.

32.5. in other cases provided for by law.

## **VIII. ACCOUNTING OF THE TRANSACTIONS CONCLUDED ON THE REGULATED MARKETS OR MULTILATERAL TRADING FACILITIES**

33. The account managers, having received a message from the regulated market or multilateral trading facility on concluded transactions to be settled in financial instruments and cash, must immediately make entries in the technical financial instruments and technical cash accounts (opening thereof if needed) of the second tier of accounting of financial instruments, specifying the number of financial instruments and the sum of cash required for the settlement of the concluded transactions.

34. The account managers, having received a message from the regulated market or multilateral trading facility on concluded transactions to be settled in financial instruments only, must immediately make entries in the technical financial instruments accounts (opening thereof if needed) of the second tier of accounting of financial instruments, specifying the number of financial instruments required for the settlement of the concluded transactions.

35. Separate technical accounts must be opened and allotted to each separate regulated market or multilateral trading facility in the accounting of the account manager in order to make it possible to clearly separate settlement obligations to different markets or systems.

36. Recording of entries in technical accounts shall have no impact on the ownership right to the financial instruments and cash (if applicable). No entries may be made in personal financial instruments accounts and personal cash accounts, from which financial instruments (cash) are to be withdrawn for the settlement of the transactions and no obligations taken with respect to the placement of these financial instruments (cash) for other transactions, which may encumber settlement of the transactions concerned.

37. The account managers shall make entries in personal financial instruments accounts and cash accounts (if applicable) of the second tier of accounting of financial instruments as well as in related technical accounts immediately after receiving notification from the SSS of the Central Depository and the payment system (if applicable) on successfully executed transfers of financial instruments and cash (if applicable) between the accounts, thereby signifying acquisition or disposal of the ownership right to financial instruments and cash (if applicable).

## **IX. ACCOUNTING OF TRANSACTIONS CONCLUDED OFF THE REGULATED MARKET OR MULTILATERAL TRADING FACILITIES AND WHICH ARE SUBJECT TO DVP**

38. On the basis of the transaction in financial instruments, concluded off the regulated market and multilateral trading facility, the account managers must immediately make entries in the technical financial instruments accounts and technical cash accounts (if applicable) of the second tier of accounting of financial instruments, specifying the number of financial instruments and the sum of cash (if applicable) required for the settlement of the transactions concerned.

39. Other technical accounts than the ones used for the recording of the transactions concluded on the regulated market or multilateral trading facility must be opened for the accounting of the transactions concluded off the regulated market and/or multilateral trading facility.

40. Making of entries in technical accounts shall have no impact on the ownership right to the financial instruments and cash (if applicable). No entries may be made in personal financial instruments accounts (and personal cash accounts), from which financial instruments (cash) are to be presented for the settlement of the transactions and no obligations taken with respect to the placement of these financial instruments (cash) for other transactions, which may encumber settlement of the transactions concerned or make it impossible.

41. In cases where settlement must be executed between different accounts of the first tier of accounting or the payment system, the account managers on the basis of such transactions shall generate and provide settlement instructions to the SSS.

42. The account managers shall make entries in personal financial instruments accounts and cash accounts (if applicable) of the second tier of accounting of financial instruments as well as in related technical accounts immediately after receiving notification from the SSS of the Central Depository and the payment system (where settlement is carried out against cash) on successfully executed transfers of financial instruments and cash (if applicable) between the accounts, thereby signifying acquisition or disposal of the ownership right to financial instruments and cash (if applicable).

## **X. ACCOUNTING OF TRANSACTIONS THAT ARE NOT SUBJECT TO DVP**

43. In compliance with the financial instruments transfer agreements or on other legitimate grounds and being satisfied with the validity of the transaction, the account manager must immediately make entries in the technical and personal financial instruments accounts of the transferor or transferee of the financial instruments, unless these documents specify another moment of making entries.

44. In cases where settlement must be executed between different accounts of the first tier of accounting, the account managers on the basis of the documents referred to in paragraph 43 of these Rules shall generate and provide settlement instructions to the SSS.

45. The account managers shall make entries in personal financial instruments accounts of the second tier of accounting of financial instruments immediately after receiving respective notifications from the SSS.

46. In the presence of adequate proof that the transaction is void under Art. 1.78 par. 1 of the Civil Code of the Republic of Lithuania or if there are other reasonable doubts with regard to the legality of the transaction (e.g., the transaction is concluded by a person not authorized to do that), the account manager shall be obliged to refuse to make entries in the personal financial instruments accounts of the transferor and the transferee of the financial instruments. In such a case he must return the documents to the person, who has submitted them, and state in writing the reasons for the refusal to make entries in the personal financial instruments accounts. The refusal of the account manager to make entries in the personal securities accounts may be appealed against in accordance with the procedure established by law.

## **XI. ACCOUNTING OF THE PRIMARY TRADING IN SECURITIES**

47. Settlement of transactions concluded during the offering of financial instruments may be executed inside or outside the SSS.

48. The financial instruments intended to be offered on or off the regulated market or multilateral trading facility in cases, where more than one account manager is involved in the settlement, must be registered with the Central Depository in the first tier of financial instruments accounting by opening on behalf of the account manager, who carries out the functions of the issuer's agent, the issue registration account for financial instruments intended to be offered and the general account for financial instruments that have been offered.

49. The securities offering on or off the regulated market or multilateral trading facility can be guaranteed or not guaranteed.

49.1. The guaranteed offering of the newly issued financial instruments shall imply that after paying in full or in part for the subscribed financial instruments, the investor shall immediately gain the ownership right to the financial instruments concerned and a record thereof shall be made

by the account manager in the personal financial instruments account opened on behalf of the investor in the second tier of accounting of financial instruments;

49.2. The not guaranteed offering of the newly issued financial instruments shall imply that after paying in full or in part for the subscribed financial instruments, the investor shall gain the right to claim from the issuer for the delivery of the securities he has subscribed to after meeting other issue offering conditions that do not depend on investor's will. These claims to the newly issued financial instruments shall be immediately transferred to the investor and a record thereof shall be made by the account manager in the technical financial instruments accounts opened on behalf of the investor in the second tier of accounting of financial instruments. Upon fulfillment of all the conditions for the offering of financial instruments, the account manager shall immediately transfer ownership rights to the newly issued financial instruments to the investor by making relevant entries in the personal financial instruments account of the investor and closing the corresponding technical accounts opened on his behalf.

50. Having received the specified notification from the regulated market or multilateral trading facility concerning the concluded transactions in the offered financial instruments, or having concluded such transactions off the abovementioned markets and facilities, the account managers on the basis of these transactions shall immediately make entries in accordance with the requirements of paragraphs 33, 34, 38 and 43 of these Rules.

51. The account manager shall open technical financial instruments accounts and technical cash accounts (if applicable), intended for accounting of transactions concluded during offering in compliance with the requirements of paragraphs 35, 39 and 43 of these Rules and enters therein the amount of the financial instruments and the sum of cash (if applicable), required to settle these transactions.

52. Recording of these entries in technical accounts shall have no impact on the ownership right to the financial instruments (and cash, if applicable). No entries may be made in personal cash accounts, from which cash is to be withdrawn to pay for the subscribed financial instruments, or personal financial instruments accounts, from which financial instruments are to be delivered for the settlement of the transactions, and no obligations taken with respect to the placement of these funds or/and financial instruments for other transactions, which may encumber settlement of the transactions concerned.

## **XII. CHARACTERISTIC FEATURES OF ACCOUNTING OF FINANCIAL INSTRUMENTS ISSUED BY COLLECTIVE INVESTMENT UNDERTAKINGS**

53. An ISIN code may be allocated to the financial instruments issued by collective investment undertakings, whereas in cases provided for in Article 96 of the Republic of Lithuania Law on Collective Investment Undertakings, the management companies of the collective investment undertakings must apply to the Central Depository for the allocation of ISIN codes to the financial instruments issued by collective investment undertakings under the procedure prescribed by the Central Depository.

54. Accounting of the financial instruments issued by collective investment undertakings may be conducted in two tiers of accounting where:

54.1. the Central Depository has notified the Securities Commission of its readiness to conduct accounting of financial instruments issued by collective investment undertakings in two tiers of accounting;

54.2. the Central Depository has set the procedures for accounting of financial instruments issued by collective investment undertakings;

54.3. the management company of the collective investment undertakings has placed a request to the Central Depository asking for accounting of the financial instruments issued by the collective investment undertaking managed by it in two tiers of accounting.

55. In other cases the accounting of financial instruments issued by collective investment undertakings shall be conducted only in the second tier of accounting and it shall be *mutatis mutandis* subject to the respective requirements of these Rules.

## **XIII. ACCOUNTING OF FOREIGN FINANCIAL INSTRUMENTS**

56. Where foreign financial instruments acquired by account managers and/or their clients are held in Central Depository accounts opened in central depositories of other states or in international depositories, these Rules shall apply *mutatis mutandis* to accounting of such

financial instruments, except for the requirements imposed on the issuer regarding the opening of the issue registration account or compliance with other requirements.

57. In other cases accounting of foreign financial instruments shall be conducted only in the second tier of accounting and shall be subject to the following requirements:

57.1. where an account manager in his own name but on client's account acquires foreign financial instruments, the said account manager must immediately (upon receipt of the initial document – statement of account, notice, etc., certifying acquisition of such financial instruments) open a personal account for these financial instruments on behalf of their owner and make the required entries therein and in other accounts;

57.2. the validity of the acquisition of foreign financial instruments must be guaranteed by the account manager acquiring them (acting in his own name, but on client's account);

57.3. the account manager (who, acting in his own name, but on client's account, has acquired foreign financial instruments) at the client's request must take every possible measure enabling his client, on whose account the financial instruments have been acquired, to be identified in the country of acquisition of the financial instruments as the beneficiary owner of those financial instruments.

#### **XIV. STOCK EVENTS WITH FINANCIAL INSTRUMENTS**

58. For the purpose of these Rules, issue of financial instruments and other events taking place on the initiative of the issuer or depending on his will, which change the parameters of financial instruments accounts, shall be deemed as stock events. Within the meaning of these Rules, the stock event shall be considered to have taken place when on the basis of the documents submitted by the issuer (issuer's agent), the Central Depository makes corresponding entries in the financial instruments accounts.

59. In compliance with the legal acts regulating specific stock events and carrying out operations related with stock events, the Central Depository shall manage financial instruments accounts of the first tier of accounting by making appropriate accounting entries therein, while the account managers shall manage financial instruments accounts of the second tier of accounting by making appropriate accounting entries in accordance with the requirements of the above-mentioned legal acts and the regulating documents of the Central Depository.

60. The Central Depository and the account managers must carry out operations related with stock events. The Central Depository shall set the detailed list of stock events and the procedure for the execution of operations related to them.

61. The issuer (issuer's agent) must inform the Central Depository in writing on the stock events and submit all the documents required by the Central Depository not later than 5 business days prior to the day the stock event is expected, and in cases of equity financial instruments in additionally not later than the following business day after the receipt of the relevant documents from the state and/or municipal institutions.

62. The Central Depository shall announce publicly about the stock events reported to it not later than 2 days prior to their expected commencement.

63. In carrying out accounting operations (related with the stock event, during which the number of financial instruments held by investors is to be increased or decreased), the Central Depository shall make relevant entries in those financial instruments accounts of the first tier of accounting, which hold accounting records of the relevant financial instruments at the end of the accounting day of the stock event. In the second tier of accounting, where the investor concerned is no more a client of the account manager on the date the entry in financial instruments accounts is to be made, the account manager must open a technical account specified by the Central Depository fully identifying the respective investor, and immediately place with the Central Depository an instruction to transfer the respective financial instruments to the general financial instruments account of the issuer's agent, explicitly identifying the investor concerned.

#### **XV. CORRECTION OF MISTAKES. LOSS OF FINANCIAL INSTRUMENTS**

64. If due to account manager's fault or negligence a larger number of financial instruments of one issue appears in his accounting (in the second tier of accounting) than is recorded in his general account, the said account manager must reduce the number of the recorded financial instruments in the accounts of the second tier of financial instruments accounting (by canceling the financial instruments in the personal accounts, in which an unreasonably larger number of the

financial instruments has been recorded, and correcting the entries in other related financial instruments accounts) to make it correspond to the number of financial instruments in his general financial instruments account.

65. If due to account manager's fault or negligence a smaller number of financial instruments of one issue appears in his accounting (in the second tier of accounting) than is recorded in his general account, the said account manager must increase the number of the recorded financial instruments in the accounts of the second tier of financial instruments accounting (by making entries of the missing financial instruments in the personal accounts, in which an unreasonably smaller number of the financial instruments has been recorded, and correcting the entries in other related financial instruments accounts) to make it correspond to the number of financial instruments in his general financial instruments account.

66. If due to illegal actions of third parties entries in the account manager's personal accounts have been changed, the said account manager must correct the entries in the personal accounts in such a way as to make them correspond to the entries available prior to the illegal actions of the third parties.

67. If intentionally or due to negligence an account manager causes damage to the clients or third parties, he must compensate losses in compliance with the procedure prescribed by law of the Republic of Lithuania.

68. If due to the Central Depository's fault or negligence a larger number of financial instruments of one issue appears in accounting than it should be recorded in the issue registration and/or general accounts:

68.1. the Central Depository shall be obliged to correct the entries made in the issue registration and /or general accounts managed by it;

68.2. On the basis of instruction from the Central Depository, the account managers must reduce the recorded number of financial instruments (by canceling and correcting entries in accounts of the second tier of financial instruments accounting);

69. If due to the Central Depository's fault or negligence a smaller number of financial instruments of one issue appears in accounting than it should be recorded in the issue registration and/or general accounts:

69.1. the Central Depository must correct entries in the issue registration and /or general accounts managed by it;

69.2. On the basis of instruction from the Central Depository, the account managers must increase the recorded number of financial instruments (by correcting entries in accounts of the second tier of accounting) by increasing their number for those to whom it has been unreasonably reduced;

70. If intentionally or due to negligence the Central Depository causes damage to account managers, their clients or third parties, he must compensate losses in compliance with the procedure prescribed by law of the Republic of Lithuania.

## **XVI. DISCLOSURE OF INFORMATION TO THE CENTRAL DEPOSITORY**

71. Issuers (or issuer's agents) must disclose to the Central Depository systematically important information, which is necessary for the implementation of the generally recognized standards and/or for the compliance with the Central Depository functions established by legal acts.

72. The following shall be considered systemically important information:

72.1. Information about shareholders' meetings;

72.2. Information about dividend, interest and other payments, conferment of property and non-property rights;

72.3. Other information established by the Central Depository.

73. The issuers (or issuer's agents) must provide systemically important information to the Central Depository in accordance with the procedure prescribed by the regulating documents of the Central Depository.