CENTRAL REGISTRY OF

SECURITIES, JSC BANJA LUKA

RULEBOOK ON CLEARING, SETTLEMENT AND TRANSFER OF

SECURITIES

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Pursuant to Article 191, Article 198 point c) and Article 201 paragraph 1 of the Law on Securities Market (Official Gazette of the Republic of Srpska 92/06, 34/09, 30/12, 59/13, 108/13, 04/17, 63/21, 11/22 and 63/22), Article 304 paragraph 1 point k) of the Law on Companies (Official Gazette of the Republic of Srpska 127/08, 58/09, 100/11, 67/13, 100/17, 82/19 and 17/23) and Article 37, paragraph 1, point 15 of the Statute of the Central Registry of Securities JSC Banja Luka (Official Gazette of the Republic of Srpska 61/19), the Management Board issues the following

**RULEBOOK ON CLEARING, SETTLEMENT AND TRANSFER OF**

**SECURITIES**

**I GENERAL PROVISIONS**

Article 1

This Rulebook regulates the clearing and settlement of transactions concluded on the stock exchange or other regulated public market for which monetary obligations are not executed directly between participants, the transfer of securities based on transactions concluded on the stock exchange or other regulated public market for which monetary obligations are executed directly between participants and the execution of monetary obligations and the transfer of securities based on transactions concluded outside the stock exchange or other regulated public market that are reported to the stock exchange.

Article 2

Individual terms used in this Rulebook shall mean as follows:

**''The Commission'**' is the Securities Commission of the Republic of Srpska.

**"Stock exchange"** is a stock exchange or other regulated public market, where securities are traded in an organized manner, in accordance with the legislation.

"**Stock exchange intermediary"** is a legal entity authorized by the Securities Commission in accordance with the legislation.

**"The Central Registry System"** is an information system and a set of procedures that enable the Central Registry to download data on the rights and obligations of the Central Registry Members arising from transactions concluded on the stock exchange or other regulated public market, i.e. transactions concluded outside the stock exchange, which are reported to the stock exchange, and clearing, settlement and transfer of securities based on these transactions.

**"Basic payment into the Guarantee Fund"** are the funds by which a Central Registry Member is jointly and severally liable for the fulfilment of monetary obligations of the Central Registry Members arising from transactions concluded on the stock exchange, and for which the Central Registry performs clearing and settlement of the monetary obligations.

**"Additional payment into the Guarantee Fund"** are the funds by which a Central Registry Member is responsible for fulfilling its monetary obligations arising from transactions concluded on the stock exchange, and for which the Central Registry performs clearing and settlement of the monetary obligations.

**"Central Registry Member"** is a legal entity that has been accepted as a member in the system of clearing and settlement in the Central Registry.

**"Seller Member"** is a Member of the Central Registry who participates on the seller's side in the settlement of the legal transaction of the sale of securities.

**"Buyer Member**" is a Member of the Central Registry who participates on the buyer's side in the settlement of the legal transaction of the purchase of securities.

**"Rulebook on membership**" is a general act of the Central Registry that determines the relations between the Central Registry and its Members, as well as mutual rights and obligations.

**"Transaction"** is a sale or purchase of securities, concluded on the stock exchange or other regulated public market, or a trade concluded outside the stock exchange, which is reported to the stock exchange, and which is performed between the buyer and the seller of securities through stock exchange intermediaries.

**"T+0"** is the day of trading, or the day of conclusion or registration of the transaction.

**"T+1"** and **"T+2"** are the first and second business days after the day of trading, i.e. the conclusion of the transaction.

**"Transfer"** is the transfer of securities from one account to another.

**''Settlement''** is the fulfilment of obligations arising from a transaction.

**"Owner's account"** is an account opened and maintained by the Central Registry for the owner of securities.

**"Client's account"** is an account opened by the Central Registry Member for the owner of securities and through which orders for the sale/purchase of securities are executed.

**"Portfolio management account"** is an account opened by the Central Registry Member for the owner of securities for whom it performs the activities of securities portfolio management.

**"Dealer's account"** is an account of the Central Registry Member through which the Member of the Central Registry concludes transactions of sale/purchase of securities in its own name and for its own account.

**"Custody account"** is an account opened by the Central Registry Member in accordance with the applicable regulations on custody business.

**"Joint account"** is a transfer account of the Central Registry Member for which transactions are concluded on the stock exchange, i.e. to which transactions for multiple clients are directed in accordance with applicable regulations and to which transactions that cannot be allocated to the final seller/buyer are directed due to an error.

**''Buy-in/sell-out account"** is an account of the Central Registry in favour of which, that is, against which securities are transferred arising from transactions where the Central Registry Member has not fulfilled its obligations.

**"Borrowing/lending account"** is a transfer account of the Central Registry Member, which is used in the securities borrowing/lending process.

"**Block trade"** is a transaction concluded outside the stock exchange directly between the stock exchange intermediaries under the conditions prescribed by the Commission and in accordance with the Rules of the stock exchange.

**II CLEARING AND SETTLEMENT OF TRANSACTIOINS CONCLUDED ON THE STOCK EXCHANGE FOR WHICH MONETARY OBLIGATIONS ARE NOT EXECUTED DIRECTLY BETWEEN THE PARTICIPANTS**

**2.1. Data processing**

Article 3

(1) The clearing and settlement of securities and monetary obligations in relation to the transactions concluded on the stock exchange, for which monetary obligations are not executed directly between participants, shall be performed by the Central Registry of Securities JSC Banja Luka (hereinafter: the Central Registry).

(2) The clearing is the process of preparing a transaction for settlement and includes comparing data on concluded transactions with data in the Central Registry system, calculating monetary obligations and determining the settlement date.

(3) The settlement is the fulfilment of obligations arising from a transaction.

(4) The settlement of securities is done on a gross basis, i.e. at the level of the end seller and end buyer, and the settlement of money is done on a net basis, i.e. at the level of the Central Registry Member.

(5) The Central Registry shall perform clearing and settlement based on data from the stock exchange report on concluded transactions.

Article 4

(1) The stock exchange report on concluded transactions shall contain data on the transactions concluded on the stock exchange on the Trading Day (T-day).

(2) The report from the previous paragraph shall be submitted to the Central Registry system by 2 p.m. on T+0, in an electronic record via the web service in the form of a JSON file.

(3) The report from paragraph (1) of this Article shall contain the following information:

a) ISIN code,

b) security code,

c) transaction number (ticket),

a) date and time of transaction,

d) price,

e) the quantity of securities purchased and sold,

f) transaction value without the associated interest,

g) interest (on T+2 as information, non-binding),

h) designation of the stock exchange intermediary of the buyer and seller,

i) type of buyer and seller account,

j) account number of buyer and seller and

k) buyer and seller reference.

Article 5

(1) Upon receipt of the report from the previous Article, the Central Registry shall compare the data from the report with the data in the Central Registry System, and inform the Central Registry Member who made the mistake and the stock exchange about the incorrect data.

(2) If the Central Registry Member concludes a transaction for a non-existent client account or portfolio management account, the transaction shall be directed to the joint account of the Central Registry Member.

(3) If the Central Registry Member concludes a transaction for a non-existent account number whose account code is a dealer's account, the transaction shall be directed to the correct dealer's account number of the Central Registry Member.

(4) If the transaction cannot be recorded in the Central Registry system due to an error, the Central Registry can make a correction based on the request of the Member and the consent of the Commission.

(5) The Central Registry shall inform the Commission, the stock exchange and the Central Registry Members about the event referred to in the previous paragraph, i.e. the event when the Member has not submitted the request.

(6) The Member shall submit the request referred to in paragraph (4) on T+0 by 2:30 p.m. in the form of a scanned signed document, from the official e-mail address of the Member to the official e-mail of the Central Registry, and by 3:30 p.m. the original copy to the Registry Office of the Central Registry. The request shall contain a description of the error and correct information about the transaction in question.

(7) The request referred to in the previous paragraph, along with any potential additional information and technical description of the event shall be submitted by the Central Registry to the Commission by 4:00 p.m. on the T+0.

Article 6

(1) The Central Registry Member is obliged to ensure the conditions for the performance of its obligations arising from transactions concluded on the stock exchange, in the manner determined by this Rulebook.

(2) The Central Registry Member shall be responsible for the performance of its obligations, as well as monetary obligations of other Central Registry Members in accordance with this Rulebook.

(3) The procedures in the event of non-performance of obligations of the Member are prescribed in Part V of this Rulebook, and the measures imposed on the Member are prescribed in the Rulebook on Membership.

**2.2. Guarantee Fund**

Article 7

(1) The Guarantee Fund consists of basic payments of all Members of the Central Registry in the same amount and additional payments of individual Members of the Central Registry in individually calculated amounts.

(2)

The amount of the basic payment is calculated based on the following formula:

**OU= ((St-1 \* Pt-1) / Č) \* 2,5**

Where:

**OU** = basic payment

**St-1** = the average daily value of net cash liabilities of all Members in the previous semi-annual accounting period, which is calculated as the quotient of the sum of daily values ​​of net cash liabilities of all Members and the number of trading days.

**Pt-1** = average risk coefficient, which is calculated as the quotient of the sum of the coefficients of the monthly net cash debts of all Members and the number of months and the number of Members, where

the coefficient of the monthly net debt of a Member is calculated as the quotient of the number of trading days in the previous month in which it was a net debtor and the total number of trading days in that month.

**Č** = number of Central Registry Members

(3) The minimum amount of the basic payment per Member is BAM 10,000.00.

(4) The amount of additional payment is calculated based on the following formula:

**DU=P\*D-OU**

where:

**DU** = additional payment

**P** = the average value of the Member's net monetary debts in the previous month, which is calculated as the quotient of the sum of the Member's net monetary debts and the number of trading days in the previous month in which the Member was a net debtor

**D** = a Member’s monthly net debt ratio, which is calculated as the quotient of the number of trading days in the previous month in which the Member was a net debtor and the total number of trading days in that month

**OU** = basic payment.

(5) The calculation of the basic or additional payment into the Guarantee Fund is downloaded by the Member from the Central Registry system, in the form of a PDF file.

(6) The calculation of the basic payment includes the period to which the calculated amount refers, the calculated amount for the period in question, the calculated amount for previous periods and the amount of the difference for the pay-in or pay out, as well as the payment term and account number of the Guarantee Fund, which is a special purpose account of the Central Registry.

(7) The calculation of the additional payment includes the period to which the calculated amount refers, an overview of the net monetary debts and claims of the Member in the previous period, the calculated amount for the period in question, the calculated amount for the previous period and the amount of the difference for the pay-in and pay out, as well as the payment deadline and the account number of the Guarantee Fund, which is a special purpose account of the Central Registry.

Article 8

(1) The amount of the basic payment is calculated on a semi-annual basis until the 15th of the following month, and the payment or return of funds of the basic payment is made by the end of that month.

(2) The amount of the additional payment is calculated monthly for each Central Registry Member individually by the 5th of the following month, and the payment or return of the funds of the additional payment is made by the 10th of that month.

(3) The Central Registry Members shall be jointly and severally responsible for the execution of financial obligations arising from transactions concluded on the stock exchange, up to the amount of the basic payment into the Guarantee Fund.

(4) A payment or return of funds is the return or payment of the difference in the amount of the newly calculated payment compared to the previous one.

(5) Notwithstanding paragraphs (1) and (2), the payment or return of funds of the Guarantee Fund shall be made at the time of acceptance or termination of membership.

Article 9

(1) The account for the basic and additional payment into the Guarantee Fund is a special account of the Central Registry opened at the Central Bank of Bosnia and Herzegovina (hereinafter: the Central Bank).

(2) The Guarantee Fund is an asset of the Central Registry Members which is managed and disposes of by the Central Registry in its own name and for the account of the Central Registry Members.

(3) The interest based on the deposit of funds into the Guarantee Fund constitutes the income of the Central Registry Members, and the costs of payment transactions constitute the expenses of the Central Registry Members.

(4) The fine paid by the Member for using the funds of the Guarantee Fund constitutes the income of other Central Registry Members.

**2.3. Calculation of monetary obligations**

Article 10

(1) The value of the transaction with equity securities whose price on the stock exchange is expressed in convertible marks is determined according to the following formula:

Transaction value = quantity \* price.

(2) The value of the transaction with debt securities that have a coupon is determined according to the following formula:

Transaction value = quantity \* (price \* nominal value of outstanding principal per debt security + associated interest per debt security)

(3) The value of the associated interest per debt security is determined according to the following formula:

PK = Tx/T\* K, where:

PK – value of the associated interest,

Tx - the number of days from the first day of the current coupon to the settlement day of the transaction, including the first day of the current coupon and excluding the settlement day of the transaction,

T - the actual number of days from the first day of the current coupon to the coupon maturity date, including the first day of the current coupon and excluding the current coupon maturity date,

K – amount of interest on a current coupon debt security.

(4) The value of transaction with debt securities that do not have a coupon is determined according to the following formula:

Transaction value = quantity\* price \* nominal value of the debt security.

(5) If the debt security is issued in a foreign currency, the value of the transaction is calculated in the BAM equivalent using the Central Bank's middle exchange rate for the currency of the issue, valid on the day the transaction is concluded.

Article 11

(1) The monetary debt of the Central Registry Member is equal to the sum of the value of all purchase transactions, and the monetary claim of the Central Registry Member is equal to the sum of the value of all sale transactions.

(2) The net monetary debt of the Central Registry Member is the positive difference between the monetary debt and the monetary claim, and the net monetary claim of the Central Registry Member is the positive difference between the monetary claim and the monetary debt.

Article 12

(1) The Central Registry shall calculate monetary debts and claims, and net monetary debts or claims of the members by 9:00 a.m. on T+1.

(2) Members download the notification on the amounts of net cash debts or net cash receivables, and the report on transactions included in the clearing and settlement from the Central Registry system, in the form of a PDF or BTS file.

3) The notification referred to in paragraph (2) shall contain the following information:

a) date,

b) notification number,

c) Member designation,

d) Member name,

e) the Member's account for clearing and settlement.

f) the total value of sale transactions,

g) the total value of purchase transactions,

h) amount of net debt or number of net receivables,

i) date for execution of monetary obligations,

j) the Central Registry's clearing and settlement account number.

(4) The transaction report referred to in paragraph (2) shall contain the following data:

a) Member designation

b) transaction code (B-buy transaction, S-sell transaction),

c) date and time,

d) transaction number (ticket),

e) security code

f) the quantity of securities

g) price,

h) transaction value without associated interest,

i) the value of the associated interest,

j) the total value of the transaction,

k) account number of the client for whom the transaction was reported,

l) settlement date,

m) X or Y codes (X-code for transactions for which the Member assumes the performance of obligations or Y-code for transactions that the stock exchange intermediary has reported for the custody bank client).

(5) The Central Registry Member is obliged to check the accuracy and completeness of the notification, and in case of disagreement, submit an objection to the Central Registry by 12:00 (noon) on T+1 for reconciliation.

**2.4. Settlement of monetary obligations**

Article 13

(1) The monetary obligations arising from transactions concluded on the stock exchange are executed through the Member's accounts for clearing and settlement opened at commercial banks and a special account of the Central Registry for clearing and settlement opened at the Central Bank.

(2) A Member of the Central Registry may have only one clearing and settlement account and may use it exclusively for such purposes.

(3) The Central Registry Member shall notify the Central Registry of any change in the clearing and settlement account without delay.

Article 14

(1) The Central Registry Members who have a net debt shall make a payment from their clearing and settlement account to the special account of the Central Registry within the deadline that allows the Central Registry to dispose of those funds at 10:00 a.m. on T+2.

(2) The Central Registry shall make payments to the clearing and settlement accounts of the Central Registry members who have a net claim on T+2, upon fulfilment of the conditions from the previous paragraph.

**2.5. Settlement of securities**

Article 15

(1) The Central Registry Member shall allocate transactions from the joint account to the account of the end buyer or seller by 4:00 p.m. on T+1.

(2) From the joint brokerage account, transactions can be allocated to the client account, portfolio management account and the Member's dealer account.

(3) From the joint custody account, transactions can be allocated to a named custody account and an omnibus custody account.

Article 16

The Central Registry shall reserve the securities required to settle the transaction in the seller's account.

Article 17

(1) The Central Registry shall perform settlement of securities and money according to the "delivery versus payment" (DVP) principle on T+2, except in emergency situations.

(2) An emergency situation is the suspension of settlement by order of the Commission, as well as any other situation caused by the failure of the Central Registry Members to fulfil its obligations within the prescribed period.

(3) The settlement is carried out based on a report generated in the Central Registry system in the process of processing trades based on stock exchange reports, and contains transactions for which the conditions for transfer have been met, with data on the ticket, buyer, seller, and security that is the subject matter of the transaction.

(4) The settlement of securities is final.

**III TRANSFER OF SECURITIES ON THE BASIS OF TRANSACTIONS CONCLUDED ON THE STOCK EXCHANGE FOR WHICH MONETARY OBLIGATIONS ARE MADE DIRECTLY BETWEEN PARTICIPANTS**

3.**1. Transfer of state capital shares and shares of associated shareholders**

Article 18

The transfer of state capital shares and shares of associated shareholders based on sale on the stock exchange by auction method shall be carried out in accordance with special regulations.

Article 19

(1) The authorized stock exchange intermediary of the seller shall notify the Central Registry of the essential elements of the auction, no later than one working day before the auction.

(2) In the event that trading is carried out for a joint account, a notification of the intention to trade for a joint account shall also be submitted, on the prescribed form of a scanned signed document, from the Member's official email address to the official email address of the Central Registry.

(3) The notice of intent to trade for a joint account contains the following information:

a) designation of the Member,

b) number and type of joint account,

c) the date of the auction for the action package,

d) type of transaction: buy/sell,

e) security code,

f) quantity of securities,

g) data on clients for whom the trading is carried out for a joint account (name and surname/name of legal entity; personal identification number/registration number),

h) type and number of the accounts that will be traded through the joint account,

i) the quantity of securities for each client account and

i) information about the person submitting the notification (Member's designation, first and last name of the person submitting the notification, stamp, and signature).

(4) The Central Registry shall transfer securities based on data from stock exchange reports on concluded transactions.

(5) The Central Registry shall not perform calculation of monetary liabilities.

Article 20

(1) The stock exchange report on concluded transactions shall contain data on transactions concluded on the stock exchange on the T Day.

(2) The report from the previous paragraph shall be submitted to the Central Registry system by 2:00 p.m. on T+0, in electronic form via a web service in the form of a JSON file.

(2) The report shall contain the following information:

a) ISIN code,

b) security code

c) transaction number (ticket),

d) date and time of conclusion of the transaction,

e) price,

f) the quantity of securities purchased and sold,

g) transaction value,

h) designation of stock exchange intermediary of the buyer and seller,

i) buyer and seller account type,

j) account number of the buyer and seller,

k) buyer and seller reference and

l) transaction type reference.

Article 21

(1) Upon receipt of the report from the previous Article, the Central Registry shall compare the data from the report with the data in the Central Registry system, and notify the Central Registry Member who made the error and the stock exchange of any incorrect data.

(2) The Seller Member shall submit an order for the allocation of transactions in the event that transactions are concluded for a joint account, and the Buyer Member shall submit an order for the transfer and clearing of transactions for an individual seller, on the day of the transaction conclusion, on the prescribed form.

(3) The order for the transaction allocation shall contain the following information:

a) Member designation,

b) number and type of joint account,

c) the date of the auction for the action package,

d) type of transaction: buy/sell,

e) security code

f) quantity of securities,

g) data on clients for whom trading is carried out for a joint account (name and surname/name of legal entity; personal identification number/registration number),

h) type and number of the account for which trading was done via the joint account,

i) the amount of securities for each client account and

j) information about the person submitting the order (member code, name and surname of the person submitting the order, stamp and signature.

(4) The transfer order contains the information about the security that is the subject matter of the transfer and information about the person to whom the transfer is being made.

(5) The transaction clearing for an individual seller is the clearing of a completed transaction prepared in the standard form of the Buyer Member.

(6) The seller of state capital and associated shareholders shall submit to the Central Registry a notification of the payment made in full, whereby payment made in full shall be considered the payment of the amount from the transaction clearing.

(7) The Central Registry shall transfer securities within three working days of receiving the correct and complete documentation referred to in paragraphs (2) and (6) for all concluded transactions.

**3.2. Transfer of securities based on transactions concluded on the money market**

Article 22

(1) The transfer of securities based on transactions concluded on the money market is carried out in accordance with special regulations.

(2) The Central Registry shall transfer securities based on stock exchange reports on concluded and paid transactions.

(3) The Central Registry shall not perform calculation of monetary obligations and shall not monitor their execution.

Article 23

(1) The preliminary stock exchange report shall contain data on transactions that should be completed on the day the report is submitted.

(2) The report from the previous paragraph shall be submitted to the Central Registry system by 12:15 p.m. on T+0, in electronic form via a web service in the form of a JSON file.

(3) The report shall contain the following information:

a) ISIN code,

b) security code,

c) transaction number (ticket),

d) date and time of transaction conclusion,

e) price

f) the amount of securities purchased and sold,

g) transaction value,

h) interest,

i) designation of stock exchange intermediary of the buyer and seller,

j) buyer and seller account type,

k) account number of the buyer and seller,

l) buyer and seller reference and

m) transaction type reference,

n) while in the case of repo transactions also:

o) redemption/repurchase reference,

p) date of repurchase,

q) designation of maturity,

r) redemption ticket number and

s) date and time of redemption transaction.

Article 24

(1) Upon receipt of the report referred to in the previous Article, the Central Registry shall compare the data from the report with the data in the Central Registry System and notify the stock exchange of the fulfilment of the conditions for transfer.

(2) The stock exchange report on concluded and paid transactions, for which the Central Registry has confirmed that the conditions for transfer have been met, shall be submitted to the Central Registry system by 2:00 p.m. on the day of the planned transaction, in electronic form via a web service in the form of a JSON file.

(3) The report shall contain the data referred to in Article 23, paragraph (3).

(4) The Central Registry transfers securities on the same day.

**IV EXECUTION OF MONETARY OBLIGATIONS AND TRANSFER OF SECURITIES ON THE BASIS OF TRANSACTIONS CONCLUDED OUTSIDE THE STOCK EXCHANGE AND WHICH ARE REPORTED TO THE STOCK EXCHANGE**

**4.1. Block trade**

Article 25

(1) The Central Registry shall transfer securities based on stock exchange reports on reported transactions.

(2) The Central Registry shall perform the calculation of monetary obligations in the event when the subject matter of the transaction are debt securities that contain a coupon.

(3) The Central Registry shall determine the execution of monetary obligations.

Article 26

(1) The stock exchange report on reported transactions shall contain data on transactions that were reported on the T Day.

(2) The report from the previous paragraph shall be submitted to the Central Registry system by 2:00 p.m. on T+0, in electronic form via a web service in the form of a JSON file.

(3) The report shall contain the following information:

a) ISIN code,

b) security code

c) transaction number (ticket),

d) date and time of conclusion of the transaction,

e) price,

f) the quantity of securities purchased and sold,

g) the transaction value without associated interest,

h) designation of stock exchange intermediary of the buyer and seller,

i) buyer and seller account type,

j) account number of the buyer and seller,

k) buyer and seller reference,

l) transaction type reference,

m) reference of the manner of execution of monetary obligations,

n) planned date of transfer of securities,

Article 27

(1) Upon receipt of the report from the previous Article, the Central Registry shall compare the data from the stock exchange report with the data in the Central Registry System, and notify the Central Registry Member who made the error and the stock exchange of any incorrect data.

(2) Joint accounts cannot participate in a block transaction.

Article 28

(1) The total value of the transaction is the value of the transaction from the stock exchange report, except in cases where the subject matter of the transaction is debt securities that contain a coupon.

(2) If the subject of the transaction is debt securities that contain a coupon, the Central Registry, on the day of receipt of the stock exchange report, shall calculate the applicable interest and determine the total value of the transaction.

(3) The accrued interest is calculated until the planned date of transfer, or execution of obligations from the block trade transaction, excluding the planned date, and the total value of the transaction is determined by adding the accrued interest to the value of the transaction from the stock exchange report.

(4) The Central Registry Members shall determine the amount of the accrued interest based on data available in the Central Registry system.

**4.2. Transfer of securities in the event of the execution of monetary obligations directly between participants in a block trade**

Article 29

(1) The Seller Member shall submit the seller's bank confirmation, or the Seller Member's confirmation of the payment of the total value of the block trade, by 3:00 p.m. on the planned transfer date, in the prescribed form, in the original copy, and in the event that the confirmation is issued in a foreign language, also a translation by a certified translator.

(2) The confirmation shall contain: seller information, buyer information, block transaction information (ticket number, reporting date, code and quantity of securities), payment information (amount, date), and account information to which the payment was made.

(3) The Central Registry shall transfer securities upon receipt of the confirmation, on the planned transfer date.

**4.3. Transfer of securities and execution of monetary obligations from a block transaction through a special account of the Central Registry**

Article 30

(1) The Buyer Member shall pay the total value of the block trade to a special account of the Central Registry opened at the Central Bank, indicating the transaction number (ticket) by 2:00 PM on the planned transfer date.

(2) The Central Registry shall pay the value of the block trade to the clearing and settlement account of the Seller Member from the block trade, on the planned transfer date, upon receipt of funds, indicating the trade number (ticket).

(3) The Central Registry shall transfer securities and money on a "delivery versus payment" (DVP) basis, on the scheduled transfer date.

**V PROCEDURES AND MEASURES IN THE EVENT OF FAILURE TO PERFORM OBLIGATIONS ARISING FROM TRANSACTIONS FOR WHICH THE CENTRAL REGISTRY CONDUCTS CLEARING AND SETTLEMENT**

**5.1. Failure to fulfil the obligation to allocate transactions**

Article 31

(1) If a Central Registry Member does not allocate a sale/purchase transaction to the account of the end seller/buyer in accordance with the provisions of this Rulebook, the Central Registry shall direct the securities from the transaction in question to the buy-in/sell-out account and initiate the buy-in/sell-out procedure.

(2) The Central Registry shall notify the Commission, the stock exchange and the Member of the Central Registry of the event referred to in the previous paragraph.

5.2. **Failure to fulfil the obligation to secure securities in the seller's account**

Article 32

If there are not enough securities in the seller's account, the Seller Member is obliged to purchase the missing quantity of securities by 10:00 a.m. on T+2.

Article 33

(1) The acquisition of the missing quantity of securities is carried out by borrowing securities.

(2) The borrowing of securities is carried out based on the securities loan agreement (hereinafter referred to as: loan agreement) concluded in writing between the Members of the Central Registry, and represents the legal basis for the transfer of the securities in question in the procedures of lending and loan repayment.

(3) The borrower is a Seller Member who shall conclude a loan agreement in its own name and for the account of its client or in its own name and for its own account.

(4) The lender is another Central Registry Member who shall conclude a loan agreement in its own name and for its own account or in its own name and for the account of its client, or a Seller Member if it lends securities from its dealer account.

(5) The lender's and borrower's lending/borrowing accounts are transfer accounts and the transfer of securities to these accounts does not imply transfer of ownership of the securities to the lender and borrower, and the accounts are closed upon completion of the transaction.

(6) The borrower shall purchase securities on the stock exchange for the account of the seller for whom he borrowed the securities to repay the loan to the lender.

Article 34

The subject matter of the loan cannot be securities on which the right in favour of a third party or the prohibition or restriction of the right to dispose of has been registered in the Central Registry, nor securities owned by a person who, under the regulations on the takeover of joint-stock companies and the Commission's decision, is obliged to announce a takeover bid for a joint-stock company, and which were issued by the joint-stock company to which the takeover obligation applies.

Article 35

Mandatory elements of the securities loan agreement are:

a) data on the contracting parties, indicating for whose account the agreement is concluded, and data on the client if the Member concludes the agreement on behalf of its client, except in the event when the custody bank lends its client's securities held in the omnibus custody account, when data on the client is not provided;

b) subject matter of the agreement (quantity, local code and type of securities and name of the issuer);

c) purpose of the agreement, i.e. indication that securities are borrowed to provide for the missing securities for the purposes of clearing and settling a transaction concluded on the stock exchange (basic transaction), date of conclusion of the basic transaction, information about the seller who does not have the securities that were the subject matter of the basic transaction or does not have them in sufficient quantity;

d) the borrower's borrowing account number and the seller's account number on whose behalf the securities are being borrowed;

e) the lender's lending account number and the account number holding the securities being lent;

f) a statement by the lender, if it lends securities of its client, that it has the client's consent to do so;

g) the amount of the fee for which the securities are lent, if the loan is contracted for a fee, and the number of the lender's cash account to which the contracted fee is transferred;

h) the obligation of the lender to give an order to the Central Registry, immediately upon conclusion of the agreement, and no later than 10:00 a.m. on T+2 from the conclusion of the main transaction, to transfer the securities being lent from the account holding those securities to the lending account of the lender, and from that account to the borrowing account of the borrower;

i) the borrower's obligation to give an order to the Central Registry, immediately after the lender gives the order from the previous indent, and no later than 10:00 a.m. on T+2 from the conclusion of the underlying transaction, to transfer the borrowed securities from the borrower's account to the seller's account from the underlying transaction;

j) loan repayment term;

k) the obligation of the borrower to give an order to the Central Registry, immediately after purchasing securities on the stock exchange in order to repay the loan to the lender, to transfer the purchased securities from the account for which they were purchased to the borrower’s account, and from the borrower's account to the lender's account.

l) the obligation of the lender to give an order to the Central Registry, immediately after the borrower gives the order referred to in the previous indent, to transfer the purchased securities from the lender's account to the account from which the securities were lent;

m) date and place of conclusion of the agreement;

n) the signature of the representative/proxy and the certification stamps of the contracting parties, the Central Registry members.

Article 36

(1) The borrower is obliged to submit the loan agreement to the Central Registry immediately upon conclusion, and to the Commission no later than the first following business day.

(2) The Central Registry shall notify the Commission that the borrowed securities have been returned on the first day following the return.

Article 37

(1) If the Seller Member fails to fulfil the obligation to purchase the missing quantity of securities by borrowing, the Central Registry shall initiate the buy-in procedure for the missing securities.

(2) The decision on initiating the buy-in procedure shall be made by the Director of the Central Registry, and delivered to the stock exchange intermediary through which the buy-in procedure will be conducted and to the Commission. The notification on initiating the buy-in procedure shall be delivered to the Commission and other Central Registry Members on the same day.

(3) In addition to the general elements, the decision to initiate the buy-in procedure shall contain the following information:

a) number of the account for buy-in opened with the Central Registry and with the Member,

b) subject matter of the buy-in (local code and quantity),

c) information about the authorized stock exchange intermediary,

d) data on the price and type of order and time validity,

e) indication that the decision is final,

f) decision explanation

g) legal remedy.

(4) The price is 1% higher than the last average market price for the security that is the subject matter of the buy-in. Depending on the market situation, the price in the order may be revised. The order is valid for a day, the condition is "all or nothing".

(5) The stock exchange intermediary is chosen in the order of admission to the membership in the Central Registry.

Article 38

(1) The purchase of missing securities is carried out on the stock exchange through a stock exchange intermediary, by giving an "all or nothing" order, in accordance with the provisions of the general act regulating the operations of stock exchange intermediaries.

(2) The order is issued by the Central Registry, for a special purpose account – a buy-in account for the purposes of clearing and settlement.

(3) The Central Registry shall open an account for buy-in for the purposes of clearing and settlement.

(4) After concluding a transaction, the stock exchange shall submit data on the concluded transaction to the Central Registry for the purpose of data control and the possibility of transaction implementation.

(5) If any of the transaction data is incorrect or the seller does not own the securities that are the subject matter of the sale, the Selle Member is obliged to make changes to the concluded transaction (correction or termination) in accordance with the Stock Exchange Rules.

Article 39

(1) The Central Registry Member is obliged to make an advance payment of the funds required to pay for the securities that are the subject matter of a buy-in and submit to the Central Registry a proof of payment, in favour of the Central Registry account for clearing and settlement.

(2) If the Central Registry Member fails to make the payment referred to in the previous paragraph, the Central Registry shall make the payment from the funds of the Guarantee Fund, and the Member shall return the funds of the Guarantee Fund in accordance with the provisions of this Rulebook on failure to fulfil the payment obligation.

(3) If the value of the securities that were the subject matter of the buy-in is greater than the assets of the Guarantee Fund, the concluded transaction is terminated.

Article 40

The Central Registry shall transfer the purchased securities from the seller's account to the Central Registry's buy-in account, and from there to the seller's account in the underlying transaction.

Article 41

(1) In the event that the total missing quantity of securities is not acquired through borrowing or buy-in, the transaction settlement will not be performed and the transaction will be given the status of unexecuted.

(2) The Central Registry shall notify the Commission, the stock exchange and the Central Registry Members of the event referred to in the previous paragraph.

**5.3. Failure to fulfil payment obligations**

Article 42

(1) In the event that the Central Registry Member fails to fulfil its financial obligations in accordance with the provisions of this Rulebook, the Central Registry shall settle the Member's obligations from the funds of the Guarantee Fund.

(2) The financial obligations referred to in the previous paragraph shall be fulfilled up to the amount of the payment into the Guarantee Fund of the Central Registry Member who has not fulfilled the obligations, at the expense of its additional payment, and if those funds are not sufficient, then at the expense of its basic payment.

(3) If the funds of the Central Registry Member are not sufficient to fulfil the financial obligations, the difference in the financial obligations is executed from the basic payments of the other Central Registry members.

(4) The decision on the use of the funds of the Guarantee Fund shall be made by the Director of the Central Registry, and delivered to the Central Registry Member that has not fulfilled its obligations and on whose behalf the funds of the Guarantee Fund are being used, and to the Commission. The notification on the use of the funds of the Guarantee Fund shall be delivered to the Commission and other Members of the Central Registry on the same day.

(5) In addition to the general elements, the decision on the use of the funds of the Guarantee Fund shall contain:

a) provisions establishing that the Member has not paid the net debt within the prescribed period, with information about the Member, the date of the transaction, the amount of outstanding obligations and the prescribed period for the performance of the obligation,

b) provisions determining the measures to be taken by the Central Registry due to the use of the funds of the Guarantee Fund, with data on payments against the Guarantee Fund, transfer of securities that were the subject matter of purchase transactions to the sell-out account and registration of a lien on securities owned by the Member,

c) the provision imposing a fine on the Member,

d) the provision ordering the Member to pay into the Guarantee Fund the amount of funds used from the Guarantee Fund to settle its obligations, increased by the amount of the fine, and setting the deadline for execution as the first following working day,

e) the provision warning the Member of the consequences of non-execution of the decision.

Article 43

The Central Registry Member is obliged to pay the same amount of funds increased by 10%, which is the amount of the fine, in favour of the Guarantee Fund, on the next business day following the date of use of the funds of the Guarantee Fund.

Article 44

(1) Securities that were the subject matter of purchase transactions concluded by the Central Registry Member whose obligations were settled from the funds of the Guarantee Fund shall be transferred to a sell-out account, which is a special purpose account of the Central Registry - a sell-out account for the purposes of clearing and settlement.

(2) A lien is registered on securities owned by the Member in favour of the Central Registry, for a special purpose account - the Guarantee Fund account.

(3) The opening of the account for sell-out, transfer of securities and registration of lien shall be carried out by the Central Registry, based on the decision on the use of the funds of the Guarantee Fund.

Article 45

(1) If the Central Registry Member fails to pay funds into the Guarantee Fund, the Central Registry shall sell the securities from the previous Article on the stock exchange.

(2) The decision on initiating the sell-out procedure shall be made by the Director of the Central Registry and delivered to the stock exchange intermediary through which the sell-out procedure will be conducted and to the Commission. The notification on initiating the sell-out procedure shall be delivered to the Commission and other members of the Central Registry on the same day.

(3) In addition to general elements, the decision to initiate the sell-out procedure shall contain the following information:

a) number of the sell-out account opened with the Central Registry and with the Member

b) subject matter of the sell-out (local code and quantity),

c) information about the authorized stock exchange intermediary,

d) data on price and order type and time validity,

e) indication that the decision is final,

f) explanation of the decision,

g) legal remedy.

(4) The price is 1% lower than the last average market price for the security that is the subject matter of the sell-out. Depending on the market situation, the price in the order may be revised. The order shall be valid for one day.

(5) The stock exchange intermediary is chosen by the order of admission to the membership in the Central Registry.

(6) The sale of securities shall be carried out by selling the securities that were the subject matter of purchase transactions, and if the funds generated by the sale are not sufficient to settle the debt, the securities owned by the Member are sold.

(7) The order shall be issued by the Central Registry, for a special purpose account - a sell-out account for the purposes of clearing and settlement, and the funds generated from the sale shall be paid into the special account of the Central Registry for sell-out, in accordance with the rules applicable to the sell-out of securities.

(8) The Central Registry shall make allocations and payments from the Central Registry's special account for sell-outs, for settlement purposes.

(9) The funds generated through the sale are paid into the Guarantee Fund up to the amount of the funds used, increased by the amount of the fine, and the remaining funds shall be paid to the Central Registry Member that has not fulfilled its obligations.

Article 46

(1) In the event that the funds of the Guarantee Fund are not sufficient to cover the unpaid amount of net debt, the settlement of purchase transactions will not be carried out and the transactions will be given the status of unexecuted.

(2) The Central Registry shall notify the Commission, the stock exchange and the Central Registry members of the event referred to in the previous paragraph.

**VI** - **TRANSITIONAL AND FINAL PROVISIONS**

Article 47

(1) The funds and securities held in special accounts of the Central Registry for clearing and settlement, for the execution of monetary obligations from block transactions, for basic and additional payments to the Guarantee Fund, for the buy-in and sell-out of securities are not the assets of the Central Registry and do not form part of the bankruptcy or liquidation estate, nor can they be subject to enforcement proceedings against the Central Registry.

(2) The assets referred to in the previous paragraph and the information on the amount of net debts/claims in the business books of the Central Registry are kept off-balance sheet.

Article 48

(1) The Commission shall provide its consent to this Rulebook.

(2) Upon receipt of the consent referred to in paragraph 1 of this Article, the Rulebook shall be published in the Official Gazette of the Republic of Srpska.

Article 49

Upon entry into force of this Rulebook, the Rulebook on the clearing, settlement, and transfer of securities (Official Gazette of the Republic of Srpska 108/14 and 61/22) shall cease to have effect.

Article 50

This Rulebook shall enter into force on the eighth day after its publication in the Official Gazette of the Republic of Srpska.

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Chairman of the Management Board

Prof Zoran Babić, PhD, BEc