



Clearing Rules

V1.7

This document is a part of the rules of the exchange operated jointly by BSP Energy Exchange LL C and its affiliated companies.

It is valid from 21 June 2016 until changed in accordance with the rules of the exchange themselves.



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1 Definition of Terms

Affiliate Member.....	an Exchange Participant whose Exchange Participation depends on Exchange Participation of an Exchange Member that it belongs to.
Agent Position Account.....	an account on which transactions on behalf of Clearing Members' clients are allocated.
Agreed Interest Rate.....	the interest rate agreed between Settlement Bank and BSP for the cash on the Deposit Account at a Settlement Bank
Agreement	an agreement executed between BSP and either another entity or several other entities on the basis of the Rules.
Appendix	a document adopted as such (Appendix) on the basis of the General Rules.
Authorised Clearing Representative	an employee of an Exchange Participant, nominated by Exchange Member and admitted by BSP as Authorised Clearing Representative, authorised to effect proper realisation of clearing obligations and/or physical settlement on the individual Markets on the Exchange Participant's behalf.
Back Office	a department where the support of Exchange Participant's trading operations is provided for.
Bank Guarantee	a form of Financial Guarantee provided in accordance with the Rules.
BSP	Company BSP Energy Exchange LL C with registered office in Ljubljana, Slovenia that operates the Exchange and respective Trading and Clearing Systems in accordance with the Rules.
Clearing	a set of procedures that include registration, invoicing and settlement, as well as collateralisation of Transactions.
Clearing Member	an Exchange Participant

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- Clearing Participation the right to participate in Clearing in the Markets it applies to.
- Clearing Participation Agreement.....an Agreement concluded between a Clearing Member and BSP on respective Clearing Participation.
- Clearing Rules..... this document; an Appendix to the General Rules setting out conditions and instructions governing Clearing of Final Transactions in the Markets and risk management in accordance with the General Rules.
- Clearing System..... the entirety of all hardware and software devices and all components necessary for the connection of the network nodes which form the technical basis for the implementation of Clearing in the electronic system.
- Clearing Transaction..... a transaction established within the process of registration of Final Transaction registered for Clearing that forms the basis for financial settlement.
- Commission..... a body, appointed by BSP, responsible for the implementation of procedures in cases of Default.
- Country of BSP Operation a country in relation to which BSP is operating (a) Market and/or (a) Clearing system(s).
- Day-ahead Auction Trading .. the manner of Trading where matching only occurs once in the Price Determination Phase.
- Default..... an occurrence when a Clearing Member has not met its obligations according to the Rules (it has not made either a scheduled payment or a scheduled delivery or a timely posting of required Financial Guarantees) or occurrence of an incident and/or existence of circumstances on the basis of which BSP may conclude that a Clearing Member is either not able or is expected not to be able to fulfil its obligations.
- Definition..... a document adopted as such (Definition) on the basis of the Rules.
- Delivery Day or Service Day .. the day of the physical fulfilment of Transactions.

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- Deposit Account a cash account opened at Settlement Bank on which financial guarantees paid in cash are kept.
- Deposit Sub-account account opened in the name of Clearing Member within the framework of Deposit Account.
- Exchange all the Markets.
- Exchange Member an independent Exchange Participant.
- Exchange Participant an Exchange Member or an Affiliate Member.
- Exchange Participation the right to participate in Trading and/or Clearing at BSP.
- Exchange Trader an employee of an Exchange Participant, nominated by Exchange Member and admitted by BSP as Exchange Trader for a maximum of one Exchange Member and for any number of the Exchange Member's Affiliate Members, authorised to participate in Trading on the individual Markets on the Exchange Participant's behalf.
- Final Transaction a Transaction which cannot be broken.
- Financial Guarantee any collateral that a Clearing Member has to submit as insurance for the fulfilment of his liabilities towards BSP.
- General Rules the highest Rules in the hierarchy of Rules.
- Intraday Auction Trading a manner of Trading on BSP, where matching only occurs once in the Price Determination Phase which may be run several times for the same Delivery Day in accordance with this Market Definition.
- Intraday Continuous Trading a manner of Trading on BSP, where matching occurs during the Trading Phase, whenever conditions for it emerge.
- Management the management and the supervisory board of BSP acting individually within the framework of competences set by BSP corporate statutes.

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- Market a market operated by BSP.
- Market Definition..... a Definition setting out conditions and instructions for admission to an individual Market, Products traded, manner of Clearing and other issues in accordance with these General Rules, Trading Rules, Clearing Rules and Products Definition.
- Market Maker Position Account.....an account of which transactions arising from quotes entered in accordance with Market Maker Agreement are allocated.
- Multilateral Clearing Mechanisma clearing mechanism provided by BSP as a central counterparty to all financial rights and obligations from the Transactions cleared within, resulting in a single netted financial right and/or obligation of an individual party of any number of such Transactions in relation to that central counterparty.
- Net Creditor..... Clearing Member that has, in respect to individual Settlement Day and Clearing Participation, net financial liabilities towards BSP.
- Net Debtor..... Clearing Member that has, in respect to individual Settlement Day and Clearing Participation, net financial receivables towards BSP.
- Order an either sell order, buy order, Predefined Order or User Defined Order entered into BSP Trading System.
- Physical Settlement Domain.an official registry of market participants' rights and obligations in relation to physical delivery of the respective either energy or associated products in which physical delivery is executed by registration of the transactions concluded in the market.
- Physical Settlement Domain Agreement.....an agreement concluded between a Clearing Member and the entity responsible for managing the respective Physical Settlement Domain, e.g. a balance agreement for electricity.

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- Physical Settlement Domain Rulesthe laws, Physical Settlement Domain Agreements and other rules governing registration of the transactions of the transactions concluded in the market in an individual Physical Settlement Domain.
- Position Account..... a trading (non cash) account on which all sale and purchase Final Transactions of a Clearing Member are kept.
- Predefined Order is a buy or sell order defined as a Product.
- Product..... a standardised product traded at the Exchange with the contract specifications set out in the Rules.
- Proprietary Position Accountan account on which transactions of Clearing Members own name and account are allocated
- Price List an Appendix stating pricelist for BSP services in accordance with the Rules.
- Regulations..... a document adopted as such (Regulations), governing individual aspects of Exchange and Clearing operations adopted in accordance with the Rules.
- Rules..... the whole set of rules applicable in Trading and Clearing in the Markets, including but not limited to, General Rules, Appendices, Regulations, Definitions, Decisions, Principles and Agreements.
- Settlement Account..... a cash account opened at Settlement Bank through which net financial settlement is performed.
- Settlement Bank..... a bank in which BSP has opened a settlement and deposit account; the settlement bank may be either a commercial bank or the settlement system itself or a central bank.
- Settlement Day..... a day when settlement on individual Markets is performed in accordance with respective Market Definition; Settlement Days for financial settlement and physical settlement on an individual Market may differ, as well as some Markets may have several Settlement Days for financial and/or physical settlement of a Product.

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- Statutory Default Interest..... the interest that a Clearing Member has to pay if it fails to fulfil its financial liabilities in time.
- Submission For Clearing a manner of Trading on BSP, where two individual Market Participants jointly agree on a Transaction they have concluded outside Exchange (OTC) in order for it to become subject of Clearing by BSP.
- Technical Default..... an occurrence when a Clearing Member has not met its obligations according to the Rules and are not based on insolvency of the Clearing Member.
- Trade Limit a limit which is established by means of an amount in terms of money within which the Exchange Member can put buy Orders in Trading System on a Trading Day, set by BSP according to the Rules.
- Trading the whole set of actions performed by Exchange Traders at the Exchange, e.g. act of entering or withdrawal of Orders in the Trading System.
- Trading Day a day when Trading on individual Markets can be conducted.
- Trading Phase..... a Session Phase in either Intraday Continuous Session or Submission For Clearing Session.
- Trading Session period of Trading for the individual Products with the same Delivery or Service Day and the same manner of trading from the time a market opens until it closes.
- Trading System..... the trading platform BSP uses for its trading services.
- Transaction..... either a transaction that Exchange Participants have concluded in a Market or a transaction concluded between Market Participants outside Exchange submitted for Clearing by BSP.
- User Defined Order..... is a buy or sell order defined by Exchange Trader and constituted of at least two consecutive Products of the same Delivery or Service Day.



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Warning..... a warning issued by BSP to a Clearing Member demanding it to imminently fulfil its obligations.



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2 General Provisions

2.1 Introductory Provisions

- (1) The present Rules regulate the tasks of registration, clearing and settlement of Final Transactions and assurance of the fulfilment of liabilities carried out by the BSP.

2.2 Clearing Participation

- (1) In compliance with the General rules, an Exchange Participant shall be on the day of the enforcement of the present Rules automatically also a Clearing Member, until BSP rules otherwise. Such a decision shall be effected upon adoption of amended Rules in accordance with the procedure set forth in the Rules themselves.
- (2) Exchange Participant, in order to be admitted to an individual Market, is obliged to conclude a corresponding Clearing Participation Agreement with BSP; conclusion of the Clearing Participation Agreement shall be mandatory in this respect.
- (3) The Clearing Participation Agreement authorises the holder to clear Transactions which are currently approved by BSP or which will be approved by said party in the future in relation to the respective Clearing Participation. The Clearing Participation Agreement can be restricted by BSP with regard to individual Markets in case the Clearing Member does not fulfil the preconditions which are specific for the respective Market.
- (4) Meeting all requirements for Clearing Participation authorises the Market Participant to Clearing of Final Transactions in the individual Market which are currently cleared by BSP or which will be cleared by BSP in the future in accordance with the Rules and in relation to the respective Clearing Participation.

2.3 Legal Relationships of Involved Parties

2.3.1 Rights and Obligations of the Clearing Member

- (1) Clearing Member which fulfils the preconditions for a license to trade on a Market is obliged to conclude a corresponding Clearing Participation Agreement with BSP.
- (2) A Clearing Member shall be obliged to fulfil its obligations arising from all Transactions which take part in Clearing in BSP.

- (3) Clearing Member shall have the right to trade and/or conclude Transactions within the value of submitted Financial Guarantees.
- (4) A Clearing Member can be excluded from Trading on all or individual Markets for the duration of any non-performance in case the Clearing Member either:
 - a) does not provide the Financial Guarantees specified by BSP, the daily settlement payments, in case it does not fulfil any delivery obligations and/ or purchase obligations or obligations to effect payments, fees which are due or in case it does not provide or fulfil such when due; or
 - b) exceeds a Trade Limit specified by BSP; or
 - c) fails to fulfil any other obligation which might exist towards BSP even though a Warning has been issued by BSP.
- (5) Any request by phone shall be confirmed in writing forthwith.
- (6) BSP shall inform the Exchange Participant of all measures taken towards it or one of its Affiliate Members in as far as these might have an impact on the legal position of the Exchange Participant or the risk evaluation of said party.

2.3.2 Assignment

- (1) An assignment of the rights arising from or on the basis of the Rules by a Clearing Member can only be effected with the approval by BSP or subject to the conditions of the Rules.

2.3.3 Emergency Measures

- (1) In case proper Clearing is obstructed at a Clearing Member in particular on account of technical delays, the Clearing Member affected has to inform BSP of this fact forthwith. Emergency measures by BSP shall be binding for all parties to the contract; in this case any liability on the part of BSP shall be excluded.

2.3.4 Liability

- (1) BSP shall be entitled to take recourse to a Clearing Member with regard to cases of damage which it or other Clearing Members might have suffered on account of a Default or Technical Default caused by the Clearing Member concerned. The right to assert a further damage both on the part of BSP as well as on the part of a third party shall not be affected. BSP can

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assign its claims to damages which it has towards the Clearing Member which is in Default or in Technical Default to third parties with a debt discharging effect.

- (2) BSP shall not be liable for cases of damage which might have occurred, for direct damage, consequential damage, losses or lost profits in cases of interruption of its operations and services as a result of an event from the sphere of the Settlement Bank, including any malfunction of either the Settlement Bank's systems or the central/national bank's systems or the international financial settlement systems that either disables or substantially impairs ability to operate Clearing System in relation to either BSP or Clearing Members.
- (3) BSP shall not be liable for cases of damage which are caused by an interruption of its operations as a result of an event of force majeure, insurrection, acts of war and acts of god or as a result of other events which do not fall within its sphere of responsibility (e.g. industrial action, lock-outs, disruption of traffic, interruption of the supply chain) or which are brought about by acts of authorities both from within the country and from abroad. The same shall also apply for cases of damage which a Clearing Member suffers as a result of technical problems or as a consequence of a partial or complete impossibility of using the Trading and Clearing Systems of BSP or in case of interruptions in the data transfer as well as in case of trading outside the system of a Market or of BSP or as a result of errors made during entering of data in the framework of settlement and the administration of Financial Guarantees for Clearing Members, BSP shall be liable in case of premeditation and gross negligence unless the case of damage is caused by a culpable breach of essential obligations. However, in this case of slight negligence, the liability on the part of BSP shall be restricted in terms of the amount to the damage which is typical of a contract of this type and was foreseeable at the time of granting of the Clearing Participation. BSP shall commission the Devices and Systems in its sphere of responsibility including the application and communications software, in a manner sufficiently tested and shall maintain these.
- (4) BSP shall not accept any liability towards Clearing Members or third parties for any cases of damage which might have occurred, for consequential damage, losses or lost profits in case it uses its rights subject to the provisions in these Rules (Default) or in case it initiates emergency measures in case of Technical Defaults.
- (5) In as far as the Rules do not expressly provide for a different regulation, BSP shall not be liable towards third parties who are not participants in Market themselves, with regard to any losses which might be incurred, cases of damage, consequential damage or lost profits which have been incurred in connection with Transactions concluded on the Market in any case.



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3 Accounts

- (1) Accounts shall be opened in compliance with the present Rules and the instructions of the BSP. A Clearing Member is responsible for all liabilities and debts towards the BSP for every account opened on his behalf.
- (2) The BSP may lay down more detailed procedures to determine types of accounts and the method of managing the accounts for the implementation of the clearing tasks and financial settlement.

3.1 Position Accounts

- (1) Within the system of BSP all Transactions of Clearing Members and the Transactions of their clients are recorded in Proprietary, Agent and, if applicable, Market Maker Position Accounts of the Clearing Member.
- (2) In Intraday Continuous Trading and Submission For Clearing, Exchange Trader himself determines the Position Account on which Final Transaction is recorded by selection of appropriate Position Account in respective Order at the time of its entering.
- (3) In Day-ahead and Intraday Auction Trading Final Transaction is recorded on Proprietary Position Account.
- (4) BSP monitors the Position Accounts of every Clearing Member. Clearing Members shall be responsible for all liabilities and debts towards the BSP for each Position Account opened at their name.

3.1.1 Proprietary Position Account

- (1) Transactions concluded in Clearing Members own name and account are recorded on the Proprietary Position Accounts.
- (2) Each Clearing Member can have only one Proprietary Position Account and can conclude Transactions for their own account only through their Proprietary Position Account.

3.1.2 Agent Position Account

- (1) Only the Transactions of the clients of Clearing Members are recorded on the Agent Position Account of said Clearing Member.

3.1.3 Market Maker Position Account

- (1) The transactions arising from quotes entered in accordance with Market Maker Agreement are recorded on the Market Maker Position Account. Transactions from own orders can be recorded in a Market Maker Position Account if such are labelled correspondingly.

3.2 Cash Accounts

- (1) BSP shall manage the following Cash Accounts:
 - a) Settlement Account
 - b) Deposit Account
- (2) Clearing Members shall be obliged to settle its liabilities arising from Clearing Transactions to the Settlement Account, provided by BSP.
- (3) The sums of credit in a Clearing Member's accounts to the benefit of the Clearing Member may be used by BSP for payment of any liability of a Clearing Member towards BSP, even if the liability does not derive from the Provisions of the Rules.
- (4) If a Clearing Member fails to fulfil financial liabilities in time, BSP shall charge Statutory Default Interest. Interest is charged starting at the date of payment maturity and finishing at the date of the actual settlement of the debt.
- (5) BSP may open a new Cash Account for a clearing purpose.

3.2.1 Settlement Account

- (1) Cash settlement of Transactions subject of Clearing by BSP shall be made via the Settlement Account at the Settlement Bank, opened in an individual Country of BSP Operation by BSP.
- (2) The Settlement Bank shall keep and BSP shall manage the Settlement Account, which is the Cash Account. The owner of Settlement Account is BSP. Transactions, subject of clearing by BSP are finally settled through the transfer of net Cash Funds on/from Settlement Account.
- (3) The procedures of Financial Settlement on an individual Market shall be set forth in Market Definition.

3.2.2 *Deposit Account*

- (1) Payments on the basis of Financial Guarantees paid in cash shall be kept in the Deposit Account at the Settlement Bank.
- (2) For each Clearing Member, that submits cash deposit, BSP shall manage these funds separately.
- (3) On a basis of Clearing Members authorisation, funds in a form of a cash deposit may be disposed of only by BSP.
- (4) Clearing Member has to inform BSP in writing for any Transactions from/to Deposit Subaccount that effect on the value of Trade Limit.
- (5) The management of Deposit Account its Subaccounts and applied Interest on an individual Market shall be set forth in Market Definition.

3.3 *Physical Settlement Domain Account*

- (1) Within every Physical Settlement Domain, Settlement Account in the name of BSP and for the account of all Exchange Participants is opened, in the form as provided by and in accordance with the respective Physical Settlement Domain Rules.
- (2) The only purposes of an individual Physical Settlement Domain Account are enabling nominations arising from calculation of each Clearing Member's positions and ensuring anonymity of the actual Exchange Participants, parties to an individual Transaction.



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4 Financial Guarantees

4.1 Obligation to Deposit Financial Guarantees

- (1) BSP shall request that a Clearing Member deposits and maintains Financial Guarantees in stipulated amounts as insurance for the fulfilment of its liabilities towards BSP in accordance with the Rules.
- (2) The Financial Guarantees shall be paid until a time specified by BSP; in exceptional cases and upon a special request to that end by BSP, they shall be paid in the course of the same Exchange Trading Day (intra-day), however.
- (3) The Financial Guarantees which have been deposited by Clearing Members are used as collateral for all the obligations of the Clearing Member towards BSP.
- (4) If a Clearing Member does not have sufficient cash deposits or has insufficient other Financial Guarantees, the Clearing Member must deposit additional Financial Guaranties in the form, in the manner and at the time set forth by the BSP.
- (5) The method for the calculation of Financial Guarantees to be presented shall be established by BSP and the calculation shall be effected individually for each Clearing Member and separately for each Market it is involved in.
- (6) The basis for the calculation of the Financial Guarantees shall form the default risk of a Clearing Member. The default risk concerns the financial loss which BSP suffers in case a Clearing Member does not fulfil its obligations entered into or arising on account of the conclusion of Transactions entered into on of the Markets.
- (7) BSP shall assume that all Financial Guarantees provided by a Clearing Member as Financial Guarantee in accordance with the Rules are either de iure and de facto property of an individual Clearing Member, that has provided the Financial Guarantees, or have been either provided or deposited for the purposes specified in this point 4.1 [Obligation to Deposit Financial Guarantees] with de iure and de facto unconditional consent of the owner or provider and are free of obligations for other purposes.
- (8) BSP shall request that a Clearing Member deposits an Initial Financial Guarantee, a Supplementary Financial Guarantee and Current Liquidating Financial Guarantee. Such Financial Guarantees shall be deposited in the form of cash deposit or an unconditional Bank Guarantee without objection, on the first call, according to the Rules.

- (9) All costs arising in the procedure of encashment of the Financial Guarantees shall be borne by the Clearing Member posting the respective Financial Guarantee that has been encashed.
- (10) According to its own judgment and with citing reasons, BSP shall be entitled to change the level of required Financial Guarantee or require additional Guarantees from a Clearing Member, or vice versa stipulate a lower amount of Financial Guarantees or return a part of Financial Guarantees already deposited. Financial Guarantees required on the basis of this point of the Rules shall be deposited upon request and in the form prescribed by BSP.
- (11) According to its own judgment and without citing reasons, BSP may, for each case separately and under a special agreement, accept Financial Guarantees in an amount and in a form different from those stipulated in the Rules.

4.1.1 Claim for Return of Financial Guarantees

- (1) Clearing Member can make a claim to BSP for return of Financial Guarantees in the form prescribed by BSP (money transfer order form) that is duly signed by the Clearing Members authorized representative.
- (2) Claim for return of Financial Guarantees may not exceed the required Financial Guarantees of Clearing Member, reduced by the current financial liabilities of the respective Clearing Member.
- (3) In case the claim for return of Financial Guarantees exceeds the required Financial Guarantees of the Clearing Member, BSP shall refuse the submitted claim.

4.2 Types of Financial Guarantees

4.2.1 Initial Financial Guarantee

- (1) BSP reserves the right to demand an Initial Financial Guarantee in cash or in a form of Bank Guarantee accepted by BSP from a Clearing Member.
- (2) Initial Financial Guarantee shall be deposited in the form, in the manner and at the time set out by BSP.
- (3) The calculation method of Initial Financial Guarantee shall be set forth in Market Definition.

- (4) The amount of required Initial Financial Guarantee shall be established for each Clearing Member in accordance with the calculation method announced in Market Definition.

4.2.2 *Supplementary Financial Guarantee*

- (1) BSP reserves the right to demand a Supplementary Financial Guarantee in cash from a Clearing Member at any time on account of the risk assessment which it carries out in the course of the Trading Day.
- (2) Additional Financial Guarantees have to be settled immediately in the corresponding currency to the BSP Deposit Account.
- (3) The amount of the required Supplementary Financial Guarantee shall be established for every Clearing Member separately in the amount of the difference between the Initial Financial Guarantee and the amount of 5 (five) greatest exposures, measured by the netted sum of all Clearing Transactions of each Clearing Member on a given Settlement Date, within the last 3 (three) months.
- (4) Supplementary Financial Guarantee may be required at any time.

4.2.3 *Current Liquidation Financial Guarantee*

- (1) BSP reserves the right to demand a Current Liquidation Financial Guarantee in cash from a Clearing Member at any time.
- (2) The amount of required Current Liquidation Financial Guarantee shall be established for each Clearing Member by BSP upon finding the Trade Limit likely to be exceeded by further trading of the Clearing Member.

4.3 *Form of Financial Guarantees*

4.3.1 *Financial Guarantees in a Form of a Cash Deposit*

- (1) The Clearing Member can cover its obligation to pay Financial Guarantee by depositing cash in the Deposit Account in the amount stipulated by BSP. Financial Guarantees in cash can be present in different currencies, which are specified by the BSP.
- (2) BSP is not liable towards Clearing Member for losses or lost profits, because of the change in price of one currency against another, if a Clearing Member submits cash deposit in

currency different from currency in which the Transactions are concluded. BSP assumes that Clearing Members have properly hedged their positions, when submitting cash deposit to BSP in order to avoid eventual currency risk.

- (3) The Clearing Member authorizes BSP to transfer funds, if it is Net Debtor in respect to individual Settlement Day and Clearing Participations, to its Deposit Subaccount and to settle from the funds it has made available in cash on Deposit Subaccount, if it is Net Creditor in respect to individual Settlement Day and Clearing Participations. The contents, procedure and method of direct debit to/from Deposit Subaccount for each Market shall be defined in Agreement on Modality.
- (4) BSP shall recognise interest on paid-in Financial Guarantees that is administered in a Deposit Account in the amount of the Agreed Interest Rate. The interest rate, the period for charging interest and the deadline for paying out interest shall be set out in Market Definition.
- (5) In case the amount of the Financial Guarantees is not credited to the account of BSP within the period of time specified, BSP shall be entitled to take measures according to point 6 [Default].
- (6) BSP shall be entitled to use the Financial Guarantees posted in cash at its own discretion within the framework of its business activities in order safeguard its own working order as a BSP.
- (7) The return of the Financial Guarantees in cash which have been deposited shall be granted at the instance of BSP and returned to the Clearing Member in accordance with provisions of paragraph (1) of point 4.1.1 [Claim for Return of Financial Guarantees].

4.3.2 Financial Guarantees in a Form of Bank Guarantee

- (1) The Clearing Member can cover its obligation to pay required Financial Guarantees by submitting a Bank Guarantee from a bank recognised by the BSP.
- (2) Prior to submitting a Bank Guarantee for the purpose of Financial Guarantees the obligation specified in the previous point the Clearing Member has to:
 - a) notify BSP regarding the purpose of the submission of the Bank Guarantee on the prescribed form;
 - b) verify whether BSP accepts Bank Guarantees from the bank in question and for the amount stipulated before finally reaching agreement with the bank on the Bank

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Guarantee; if the Clearing Member is submitting a Bank Guarantee from a foreign bank BSP has to check the foreign bank's credit rating as an obligation.

- (3) The Bank Guarantee has to be issued in the form prescribed by BSP.
- (4) The acceptance or refusal of a Bank Guarantee as a method of Financial Guarantee shall be the discretionary right of BSP. BSP shall not first-hand provide any argumentation for its decision to accept or refuse a Bank Guarantee. The same shall apply to the choice of bank and the limit (size) of the Bank Guarantee. However if the Clearing Member requests argumentation on acceptance or refusal of a Bank Guarantee BSP shall provide it.
- (5) The recipient of the Bank Guarantee (the beneficiary) shall be BSP. The Bank Guarantee has to contain unconditionally, a no objection or a first call clause or words with the same meaning. The Bank Guarantee has to contain an unconditional and irrevocable Guarantee by the guarantor to ensure the payment of the amount stipulated in the Bank Guarantee to BSP at the first request. The Bank Guarantee must also contain a clause under which the partial encashment of the Bank Guarantee is possible.
- (6) In case a Bank Guarantee has not been replaced by another Bank Guarantee or in cash by the Clearing Member concerned until 10 (ten) days before expiry of its effectiveness, BSP shall automatically reduce the Trade Limit of the Clearing Member concerned.
- (7) BSP shall cash in the Bank Guarantee if the Clearing Member fails to settle its liabilities by the agreed deadline. BSP shall notify the Clearing Member that the Bank Guarantee will be cashed in.



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5 *Settlement*

- (1) Each Final Transaction in the Markets which are determined so by BSP, which is deemed concluded on behalf and to the benefit of the Clearing Member who has either concluded the Transaction in the Exchange or registered a transaction concluded outside Exchange for Clearing by BSP in accordance with the Rules, shall be provided to registration, invoicing, offsetting and settlement in the Clearing System.

5.1 *Registration of Transactions*

- (1) BSP shall register all Final Transactions which are concluded on behalf and to the benefit of both Clearing Member as seller and Clearing Member as buyer/purchaser in accordance with the Rules.
- (2) For the purpose of invoicing and for this purpose only, BSP shall be deemed central counterparty to the parties of all registered Final Transactions. This provision does not prejudice any legal consequences in relation to BSP as operator of the Clearing System, other than those, explicitly stipulated below.
- (3) By registration and in accordance with the designated clearing mechanism the registered Final Transactions may be subject of novation and/or substitution and/or assignments and/or cascading by time of maturity of rights and obligations or other actions resulting in the Clearing Transactions being established on the basis of registered Final Transaction in accordance with the Rules.
- (4) For registered Final Transactions, subject of Multilateral Clearing Mechanism the following consequences emerge upon their registration:
 - 1) BSP assumes all financial obligations of each Clearing Member arising from all its Registered Final purchase Transactions, enlarged by the rate of applicable taxes according to the legal requirements of respective jurisdiction, so that BSP becomes:
 - a) debtor to each such Transaction counterparty and
 - b) creditor in relation to this Clearing Member in the same amount;
 - 2) Clearing Member assigns to BSP all financial rights arising from all its Registered Final sell Transactions, enlarged by the rate of applicable taxes according to the legal requirements of respective jurisdiction, so that BSP becomes:
 - a) creditor to each such Transaction counterparty and

- b) debtor in relation to this Clearing Member in the same amount;
- 3) Financial rights and obligations of each Clearing Member are offset against financial rights and obligations of BSP, within an individual Clearing Participation with regard to Clearing Transactions subject to Multilateral Clearing Mechanism, to each such Clearing Member so that:
 - a) financial obligations established in accordance with sub-line a) of line 1) above are offset against rights established in accordance with sub-line a) of line 2) above and
 - b) financial rights established in accordance with sub-line b) of line 1) above are offset against obligations established in accordance with sub-line b) of line 2) above;
- 4) The remaining financial rights or obligations after offset procedure in accordance with the line 3) above are Clearing Transactions.
- (5) Liability of BSP on a given Market to settle Clearing Transactions, due on an individual Settlement Day, shall be limited to the amount actually settled by Clearing Member to the benefit of BSP, increased for cashed-in Financial Guarantees, for that Market for that Settlement Day.

5.2 Invoicing and Offset Procedure

- (1) Invoices for Final Transactions of each Clearing Member shall be issued separately for purchase and sales Transactions applying to individual Clearing Participation in accordance with the provision of paragraph (2) of point 5.1 [Registration of Transactions] above. An offset report shall be provided in accordance with the provisions of line 3) in paragraph (4) of point 5.1 [Registration of Transactions] in case offset in accordance with the aforementioned provisions has been executed.
- (2) BSP may issue invoices for all registered Final Transactions or a notification which forms the basis for issuing the invoices.
- (3) The contents, procedure and method of forwarding the invoices for each Market shall be prescribed in Market Definition.
- (4) Offset report's net result equals net result of financial rights and liabilities as listed in the invoices issued in accordance with provisions of paragraph (4) of point 5.1 [Registration of Transactions] and shall be, for the accounting purposes only, deemed as an offset statement based on the invoices issued.

5.2.1 Reporting of Errors

- (1) Potential errors and irregularities in the invoice have to be complained by a Clearing Member within the deadlines set forth in Market Definition. A written complaint must contain items which are the subject of the complaint.
- (2) The BSP has to give a written response to a complaint within the framework of the deadlines set forth in Market Definition. The response to the complaint shall be final for the purposes of financial settlement.
- (3) If a Clearing Member fails to transmit any complaint regarding the invoice within the determined deadlines, the BSP shall deem the invoice to be without any faults.

5.3 Financial Settlement

- (1) The Clearing Transactions form the basis for financial settlement.
- (2) Financial settlement shall be realised through a Settlement Account opened at the Settlement Bank on the basis of invoices, taking into account the offset report, issued and provided respectively in accordance with the provision of paragraph (1) of point 5.2 [Invoicing and Offset Procedure].
- (3) In case that a Clearing Member fails to fulfil its due financial obligations, without prejudice to provisions of point 2.3.1 [Rights and Obligations of the Clearing Member], the following consequences arise:
 - 1) BSP will cash-in Financial Guarantees posted by the Clearing Member and request the Clearing Member to immediately replenish their Financial Guarantees to the required level. At the same time Clearing Member will be excluded from trading activities until its financial obligations are fulfilled.
 - 2) BSP will offset any amount that such Clearing Member may receive on the following Settlement Days against the remaining obligation from its default;
 - 3) BSP acquires right to charge Statutory Default Interest; and
 - 4) BSP acquires right to dispose of the Product, purchased by defaulting Clearing Member, that has not yet been settled to the benefit of the defaulting Clearing Member and cover defaulting Clearing Member's past due financial obligations.

- (4) All costs incurred by the use of Financial Guarantees for covering the financial liabilities of a Clearing Member shall be chargeable to the Clearing Member whose Financial Guarantee has been cashed in.
- (5) Settlement Day for financial settlement shall be determined by the invoice issued in accordance with the Clearing Rules and Market Definition of the Market where the Final Transactions, on the basis of which the invoiced Clearing Transactions have been established, have either been concluded or have been submitted for Clearing to BSP.

5.4 Physical Settlement

- (1) The registered Transactions form the basis for physical settlement.
- (2) BSP shall provide each Clearing Member with a statement of physical liabilities and/or receivables for each kind of either energy or associated products for each Settlement Day, based on the Transactions concluded on the Markets that apply to individual Clearing Participation.
- (3) Physical settlement of concluded Transactions shall be realised on the basis of the statement of physical liabilities and/or receivables provided in accordance with paragraph (2) above and is effected, according to the provisions specified in the Rules and the respectively applicable laws and Physical Settlement Domain Agreements, through the appropriate Physical Settlement Domain accounts, either:
 - a) exclusively by BSP, if such an arrangement is possible in accordance with the applicable laws and Physical Settlement Domain Agreements, or
 - b) by BSP and/or by the Clearing Member, as appropriate.
- (4) In case that an arrangement in accordance with line a) of paragraph (3) above is possible under the applicable laws, the Clearing Member shall provide for appropriate authorisations of BSP.
- (5) In the case that an arrangement in accordance with line a) of paragraph (3) above is not possible under the applicable laws, the Clearing Member guarantees that it will strictly comply with the instructions by BSP in order to appropriately effect the physical settlement. In case of non-compliance with the abovementioned instructions, BSP shall be entitled to financial reimbursement of costs related to failure in physical settlement in accordance with the Price List.

5.4.1 Physical Delivery and Receipt

- (1) Physical delivery of the Transactions is effected directly by the Clearing Member towards other Clearing Members via appropriate Physical Settlement Domain Account of BSP in accordance with the provisions of these Rules and the respectively valid Physical Settlement Domain Agreements.
- (2) Every Clearing Member shall communicate an amendment and/or termination of the Physical Settlement Domain Agreements that are required for Clearing Participation to BSP immediately.
- (3) In case either a Clearing Member has defaulted with regard to its delivery or purchase obligation or it loses the capability for Physical Settlement, BSP shall be entitled to take all the required measures to safeguard the performance or reduction of the damage with regard to the Transactions entered into if required by including the respective Market. Further consequences might arise from the provisions contained in the respective Physical Settlement Domain Rules and Physical Settlement Domain Agreements.

5.4.2 Measures to Maintain Network Security

- (1) Should a transmission network provider have to undertake necessary measures under applicable laws, such as the reduction of schedules in order to maintain network security due to network constraints, which have an effect on the schedule registration and deliveries in the application of the Rules, then the reduced deliveries and/or purchases of respective products form the basis for settlement.
- (2) The affected Clearing Members are obliged to comply with necessary changes, such as the resending of schedules. They must abide by the measures of the transmission operator and therefore the respective measures of BSP. Settlements and schedule registrations which have already occurred shall lose their validity.
- (3) Liability of BSP for measures occurred by the transmission system operator, or measure based on the operators measures, is excluded.

5.5 Trade Limit

- (1) BSP shall establish a Trade Limit for trading for every Clearing Member and shall provide the Trade Limits in the Trading System for every Clearing Member for each Trading Day.

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- (2) Trade Limit for a Clearing Member shall be established as follows:
 - 1) the value in EUR of the sum of Financial Guarantees posted in cash, whereas the accrued interest on Clearing Member's cash deposit shall not be taken into account, and Bank Guarantees that belong to the Clearing Member shall be calculated;
 - 2) the value in EUR, calculated in accordance with the provision of line 1) above, shall be multiplied by 70% to account for the effects related to the Intraday Continuous Trading, Intraday Auction Trading and to the Submission For Clearing;
 - 3) the value in EUR, calculated in accordance with the provision of line 2) above, shall be reduced by the value of Clearing Member's net financial obligations, both mature and not due for payment yet, towards BSP in EUR.
- (3) If a Clearing Member wishes to increase Trade Limit, it may submit additional Financial Guarantee to the BSP at any point in time. The Clearing Member must notify the BSP in writing of the intended increase of Trade Limit. The BSP shall increase the Trade Limit for an individual Clearing Member on a Trading Day, which follows the day of receipt of the confirmation that the necessary funds have been paid into the Deposit Account or receipt of a Bank Guarantee.
- (4) BSP shall monitor compliance with the Trade Limits and, if required, inform the Exchange Participants and/or respective Clearing Members concerned in case these are of low value or exceeded.
- (5) If a Clearing Member does not increase the amount of Financial Guarantees upon being informed in accordance with the provision of paragraph (4) above, BSP can restrict the trading activities of the Clearing Member in the Market.
- (6) More detailed procedures of Trade Limit for an individual Market are set forth in Market Definition.

6 *Default*

6.1 *Occurrence of Default*

- (1) A Clearing Member shall be deemed in Default even without a warning being given by means of a written notification or by means of notification via telephone by BSP in case:
 - a) the Clearing Member does not provide either the Financial Guarantees demanded by BSP on due day or the daily settlement payments in due time;
 - b) Clearing Member fails to perform or fulfil any of its obligations relating to the physical settlement;
 - c) Clearing Member generally fails to pay its outstanding debts, acknowledges insolvency and therefore an inability to pay its debts or remains actually incapable of payment, or is deemed to be incapable of paying its debts. The same applies if the procedures of debt enforcement, bankruptcy or liquidation are instituted against it, with the exception of those cases where the objective of the liquidation is the reorganisation of the Clearing Member or the acquisition of the Clearing Member by a third party or its merger with a third party, prior written approval of integration having been issued by the Management of BSP;
 - d) collections, seizures, confiscations and other procedures that encumber a Clearing Member or are instituted against its property and are impossible to complete within a reasonable period of time;
 - e) if any licence, authorisation or registration required for performance on a Market is revoked, withheld, not issued, its validity shall be suspended, i.e. terminated or
 - f) Clearing Member has omitted to fulfil other obligations to be fulfilled towards BSP in accordance with these Clearing Rules.
- (2) Clearing Members shall inform BSP immediately in case they cannot fulfil an obligation arising from the Transactions on the Markets, in particular an obligation regarding the provision of Financial Guarantees as well as the daily settlement payments.
- (3) BSP shall be entitled to have recourse to a Clearing Member for cases of damage which it or other Clearing Members sustains on account of a Default caused by such Clearing Member. Regardless of the occurrence of a case of damage at BSP, the Clearing Member which has defaulted in cases determined shall be obliged to pay liquidated damages to the amount of 0,5 % (half percent) of the outstanding sum, and at least to the amount of 500,00 EUR per calendar day.

- (4) BSP also reserves the right to impose liquidated damages in case it does not expressly state this reservation upon acceptance of the delayed payment. The assertion of a further damage shall not be affected by this.

6.2 *Technical Default*

- (1) In case a Clearing Member present evidence substantiating that one of the failures in accordance with the provisions of paragraph (1) of point 6.1 [Occurrence of Default] is not based on insolvency and that the Clearing Member in question will fulfil its obligations forthwith, BSP shall be entitled to dispense with the application of the provisions designed for a case of a Default in accordance with the provisions of paragraph (1) of point 6.1 [Occurrence of Default]. In this case, BSP shall only put the Clearing Member in Technical Default.
- (2) The Clearing Member concerned shall submit a written statement regarding the causes of its default to BSP immediately upon the occurrence of the Technical Default.
- (3) The Clearing Member affected by such Technical Default shall remove the causes of such default immediately.
- (4) In case there is a Technical Default according to paragraph (1) above regarding a payment in a foreign currency, BSP shall be entitled to demand the immediate payment of the equivalent of the amount in a foreign currency which was not received within the period specified in EUR into the appropriate bank account of BSP at Settlement Bank from the Clearing Member put in Technical Default. The amount in EUR shall be refunded without interest after receipt of the payment in the foreign currency. Provisions of paragraph (5) below shall not be affected.
- (5) BSP can have recourse to a Clearing Member for cases of damage which have been caused to it or to other Clearing Members by a Technical Default caused by such Clearing Member. Regardless of the occurrence of a case of damage at BSP, the Clearing Member which is in Technical Default shall be obliged to pay liquidated damages in accordance with the provisions of paragraph (3) of point 6.1 [Occurrence of Default].

6.3 *Measures in Case of Default*

- (1) In case of a default BSP can apply measures against the Clearing Member on the Market concerned in accordance with the provisions of the applicable laws, rules and regulations as well as Trading Rules of the respective Market concerned. Before the execution of each

measure which has been applied for, BSP shall hear the Clearing Member. Such hearing can be dispensed with in case it is not required in consideration of the circumstances regarding the specific individual case.

- (2) In the selection of measures BSP shall take the interests of the Clearing Member concerned into account under consideration of the own interests of the Clearing Member and of the (general) interest in safeguarding proper trading on the Exchange and of proper Settlement of Transactions.
- (3) The basic measures may include the following:
 - a) a Warning;
 - b) use of Financial Guarantees of the Clearing Member to cover its unsettled liabilities;
 - c) requesting additional Financial Guarantees by Clearing Member, temporary exclusion of a Clearing Member from Clearing Participation for the duration of Default, but for no longer than six months.

6.4 Procedures in Case of Default

- (1) The BSP may appoint a Commission for the implementation of procedures in cases of Default. Members of this Commission shall be appointed by the Management of the BSP. Details regarding the composition of the Commission under which it shall operate shall be published by the Management in its general notifications.
- (2) The non-fulfiller and other Clearing Members shall be obliged to fully and at all times cooperate with the BSP and immediately submit all information requested by the BSP, including information on contracts on the supply of electricity concluded by the non-fulfiller outside the Market.
- (3) If a specific Clearing Member has been declared to be in Default and has failed to carry out all actions imposed by the measures adopted by the BSP, the BSP shall have the right to carry out these measures themselves. All measures carried out by the BSP shall be deemed to be actions carried out by the Clearing Member in Default.
- (4) In the event that a Clearing Member fulfils the obligations for which it was declared to be in Default and settles the costs incurred by the procedures instituted by the BSP, the BSP shall reinstate its rights revoked upon the declaration of Default.
- (5) BSP may lay down more detailed procedures for regulating cases of Default and the methods they may use for individual Market in Market Definition.



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7 *Fees*

- (1) BSP shall charge fees to the Clearing Members for services of Clearing in accordance with the valid Price List.



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8 Final Provisions

8.1 Sovereign Acts

- (1) Any legal act provided by BSP upon an instruction by a Market or by a supervisory authority shall not constitute a violation of these Rules.

8.2 Force Majeure

- (1) Neither the BSP nor a Clearing Members shall be responsible for the failure to meet a part or all of their liabilities deriving from concluded Transactions if the reason lies in action by the civil or military authorities, fires, floods, labour disputes, the failure of computer or data systems, the failure of the energy supply, embargoes or other justifiable grounds.
- (2) If any of above circumstances arise the BSP shall be entitled to do everything it deems necessary to settle the concluded Transactions, i.e. it shall request that a Clearing Members behave in a specific manner to achieve the same objective in accordance with the provisions of the Rules.

8.3 Reporting of Information

8.3.1 Reporting of Information to Third Parties

- (1) BSP shall treat all data and information referred to its Clearing Members as confidential. BSP shall only be entitled to report information with regard to customers in case such is already part of the public domain or in case this is required by legal provisions or in case the Clearing Member concerned has approved of such reporting of information.
- (2) Regardless of the provisions contained in paragraph (1) above BSP shall, moreover, be entitled to report or request all of the data and information referring to the Clearing Member which is required for the proper execution of clearing and/ or the settlement of the Clearing Transaction, to clearing and settlement institutions called in to that end which are subject to confidentiality provisions similar to those of BSP.
- (3) The BSP shall be entitled to report details of a Clearing Transaction and other information relating to a Clearing Member's trading on the Exchange to third persons if so required by the Rules or by applicable laws.

8.3.2 Reporting of Information to Supervisory and Regulatory Authorities

- (1) BSP will report all data and information as requested by competent supervisory authorities or other third parties entitled to such under applicable laws both within the country and abroad, which are subject to provisions regarding confidentiality similar to those of BSP, in the framework of the legal provisions applicable with regard to its Clearing Members as well as to BSP itself.