

## Instruction 1

### Bonds covering financial risks

#### Definitions

In this Instruction, the following terms shall be interpreted as follows:

- 1.1. **Escrow Agent**– the commercial bank that shall open at its client's order (CM) the Escrow Account in favor of the RCE. The Escrow Agent shall be the Central Account Bank (BCR) or another bank approved by the RCE.
- 1.2. **Central Account Bank (BCR)** - Banca Comerciala Romana SA, which acts as a collecting institution in relation to the RCE and to which RCE has opened the Central Market Account to be credited or has been credited with the amounts provided in the Direct Debit Instructions, issued by RCE and debited with the amounts provided in the payment orders.
- 1.3. **Central Account** - the account opened with the Central Account Bank in the name of the RCE, which is to be credited or has been credited with the amounts provided in the Direct Debit Instructions, issued by the RCE and debited with the amounts provided in the payment orders. This account is used to collect and make payments related to transactions concluded on the Market.
- 1.4. **Direct debit contract (DDC)** - agreement concluded between the RCE and the BCR as a collecting institution, according to the provisions of the applicable national and European legislation on direct debit, as well as the acceptance of the Collecting institution regarding the use by the RCE of the Direct debit instructions within a Direct debit scheme.
- 1.5. **Escrow account** - the collateral deposit account opened by the Participant at the Escrow Agent.
- 1.6. **Direct debit** - method of payment of a sum of money agreed between the buyer CM and the RCE, which consists in the pre-authorized debit of the buyer CM account by the paying Institution based on the provisions of the Direct Debit Mandate, upon the request of the RCE and the corresponding crediting of the RCE account by the Central bank account based on the Direct Debit Contract; this method of payment does not require the prior authorization by the Buying Participant of each direct debit instruction drawn on his account, as regulated in the NBR Regulation no. 2/2016 on credit transfer and direct debit operations.
- 1.7. **Paying institution** - the credit institution with which the Participant has opened the current account to be debited or has been debited with the amount provided in the Direct Debit Instruction. The paying institution shall be the Central Account Bank (BCR) or another bank approved by the RCE.
- 1.8. **Direct debit instruction (DDI)** - direct debit payment instruction issued by the RCE to the Central Account Bank to which the RCE has opened the Central Account that shall be credited or has been credited by the paying institution with which the CM has opened the current

account that shall be debited or has been debited with the amount provided in the respective Direct debit Instruction.

- 1.9. Direct debit mandate** - a document that satisfies the legal requirements and by which a Participant grants a permanent but revocable authorization to the RCE to issue Direct Debit Instructions on its current account opened with the Paying Institution and, respectively, the right of the Paying Institution to debit its current account with the amount provided in the Direct Debit Instructions issued by the RCE.
- 1.10. Performance bond (PB)** – the financial instrument by which the Participant establishes in favor of the RCE a payment bond according to the provisions of this Contract.

The other terms or expressions written in capital letters shall have the meaning defined in the Clearing, settlement and risk management Regulation of the Romanian Commodities Exchange as Central Counterparty.

#### **Direct debit**

1. The CM shall conclude a Direct Debit Mandate for the benefit of the RCE which represents the basis on which the CM bank, as Paying Institution, shall debit the current account of CM with the amount provided in each Direct Debit Instruction issued by the RCE and which shall be placed at the disposal of the Central Account Bank upon its request.
2. The direct debit shall be made for the Margin Call. The Direct Debit Contract (DDC) and the Direct Debit Mandate shall also allow the consultation of the current account balance of the CM opened with the Central Account Bank (BCR) or at a Paying Institution that has a direct debit agreement with the Central Account Bank (BCR) and the communication of this balance to the RCE at any time.

#### **Guarantee of transactions**

1. In order to guarantee the Margins and in order to cover the financial exposure to the RCE, the CM shall be able to constitute the following types of Bonds:
  - (i) Performance bond (PB) in favour of the RCE issued by the Central Account Bank or by another commercial bank authorized in Romania and accepted by the RCE and / or
  - (ii) Escrow account in favour of the RCE at the Central Account Bank or at another commercial bank authorized in Romania and accepted by the RCE, which shall be constituted as Escrow Agent.
2. The PB shall be constituted, at the exclusive expense of the CM, as a commitment that is executed at the first and simple request of the RCE. The PB shall have an initial validity period of at least 3 months, following which this validity shall be extended at the exclusive expense of the CM. The CM shall provide the RCE with the proof of the issuance of a new SGB, or, as the case may be, of the extension of the period of validity of the existing SGB at least 5 days before the expiry date of each period of validity, under the penalty of non-consideration of the PB. The PB

shall be constituted in the form provided in Annex 1 of this instruction and shall allow the execution by the RCE to cover the Margins.

3. The Escrow Account shall be established by signing an escrow contract, in the form provided in Annex 2 of this Contract and depositing a sum of money in the Escrow Account. The Escrow Contract shall allow the Escrow Agent to transfer to the RCE any amounts necessary to cover the Margins. The Escrow Agent shall have no freedom of appreciation over the merits of the RCE request, and shall release the amounts requested by the RCE upon its simple request.
4. The CM is late as of right for all payment obligations according to the Margins, and the direct debit and / or execution of the Bonds shall be performed without any prior notification of the CM by the RCE and without any other formality, except those expressly provided in this Instruction.