

S.C. Bursa Romana de Marfuri S.A.  
Risk clearing, settlement and management  
Version 2 – 12.08.2020

**The risk clearing, settlement  
and management Regulation**

***of the Romanian Commodities Exchange***

***acting as***

***Central counterparty***

**August**

**2020**

## CHAPTER I - GENERAL PROVISIONS

### Article 1- Purpose of this Regulation

1. This Regulation provides for the performance of the Services by the RCE, for the obligations taken by the CM under the Contracts.
2. As Central Counterparty, the RCE:
  - (i) Guarantees the CM that hold Registered Positions the compliance with the financial obligations related to those Positions, from the moment of registration until their closing;
  - (ii) It assumes simultaneously the quality of buyer for the seller and the quality of seller for the buyer, within the Transactions, through a novation legal operation.
3. This Regulation is issued in accordance with the provisions of the Order of the President of the ANRE - RERA (*the Romanian Energy Regulatory Authority*) no. 105/2018 for the approval of the General Rules on centralized natural gas markets, of the Regulation on the organized trading framework for standardized products on centralized natural gas markets administered by the company Bursa Română De Mărfuri (Romanian Commodities Exchange) S.A., approved by the Order of the President of the RERA no. 223/2018 and of the Trading Procedure on the centralized natural gas markets administered by the company Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A., under the conditions of using a clearing house / counterparty, approved by the RERA by the approval no. 62/2018.

### Article 2 - Definitions and interpretation

1. Unless the context otherwise requires, the following terms and expressions used in this Regulation, in capital letters, shall be defined as follows:
  - (i) Acceptance Agreement of a CM - a written contract in accordance with the provisions of the Regulation, concluded between the RCE and a future CM, through which, inter alia, the future CM accepts the provisions of this Regulation;
  - (ii) Support Asset - natural gas transported in the TSO transmission system;
  - (iii) RERA - represents the Romanian Energy Regulatory Authority;
  - (iv) Margin Call - the amount that the CM is required to deposit in the Account to supplement the value of the Account balance at least up to the value of the Risk Limit;
  - (v) RCE - Romanian Commodities Exchange S.A., headquartered in Bucharest, 50-52 Buzzești Street, 7<sup>th</sup> floor, 1<sup>st</sup> district, Code 011015, Trade Register Number J40/19450/1992, CIF (*tax identification number*) RO1562694;
  - (vi) Cascading - a mechanism that ensures the division of a Contract in delivery periods longer than one month and the replacement of the Initial Position with Positions in sets of Contracts with a relatively shorter maturity (3 months for the quarter, the first 3 months and 1 quarter for the season / semester and for the year the first 3 and the last 3 quarters) summing exactly the amount of the Support Asset in the initial

Contract and keeping exactly the price in the Transactions related to the initial Contract. The procedure replaces the initial Position, generating new Positions with shorter maturities;

- (vii) Contract - is a standard type of Forward contract available on the Market and accepted under this Regulation to benefit from the Services. References to a Contract shall refer to all Contracts of the same type concluded on the basis of the Transactions;
- (viii) Account - account assigned to each CM, through which the RCE keeps track of the Bonds, rights and obligations of the CM based on the Services they benefit from;
- (ix) Cash Account - bank account opened by each MC and over which the RCE has direct debit rights;
- (x) Central Counterparty - the role assumed by the RCE through which it interposes through a novation process in a Transaction, becoming a common buyer for sellers and a common seller for buyers, in connection with the Positions registered in the Clearing Platform;
- (xi) Guarantee Fund - common fund in which the individual contributions of the CM are collected and which ensure the necessary resources for the proper functioning of the clearing-settlement mechanism of the Transactions in case of non-fulfilment of the financial obligations by the CM;
- (xii) Forward - a forward contract that establishes a Transaction for the delivery of the Support Asset, in a specified quantity, within a predefined Delivery Period, at a price set at the time of the Transaction;
- (xiii) Bond - assets or other forms of guarantee accepted by the RCE according to the Instructions, used by the CM to cover financial risks towards the RCE, including, but not limited to Margins;
- (xiv) Instruction - set of specific rules issued by the RCE in order to apply the provisions of this Regulation;
- (xv) Risk Limit - The required margin calculated by the RCE to cover the exposure of all Positions;
- (xvi) Physical Delivery Margin - The margin necessary to cover the financial risk related to the replacement cost by the Counterparty of the open Positions related to the Contracts entered in the Delivery Period and in connection with the financial risk of non-delivery / non-payment of the Support Asset according to the Contract;
- (xvii) Variation Margin - The margin necessary to cover the risk of the Positions related to the daily evolution of the Market, as a result of the variation of the Daily Settlement Price;
- (xviii) Initial Margin - The margin required to record a Transaction for each Contract, to cover the risk arising from the Open Positions related to that Transaction;

- (xix) CM - Clearing Member - entity that meets the admission requirements established by the RCE and has signed the Acceptance Agreement of a CM, which authorizes the RCE to benefit from the Services and acts simultaneously as a Market Participant;
- (xx) Market Operator - RCE, as Market Operator;
- (xxi) TSO - Transposition and System Operator, respectively SNTGN Transgaz SA;
- (xxii) Delivery Period - represents the period in which the Support Asset must be physically delivered by a seller to the buyer, based on a Contract;
- (xxiii) Market - The market for standardized products on the medium and long term, through an electronic trading platform managed by the company Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A., as a licensed operator in the management of centralized natural gas markets, under the conditions the use of the services of a clearing house / counterparty to guarantee the fulfilment of the financial obligations of the market participants;
- (xxiv) Clearing Platform - the computerized system that allows for the registration of Transactions, as well as for the clearing and closing of Positions, as well as other obligations, administered by the RCE, as well as the communication network that allows interaction between the RCE, the RCE as Market Operator and the CM;
- (xxv) Position - set of rights and obligations related to a Transaction registered in the Clearing Platform;
- (xxvi) Daily Settlement Price - price defined by the RCE, starting from the prices of the Support Asset registered in the markets managed by the RCE;
- (xxvii) Daily Schedule - staged way of conducting a Day, including deadlines for fulfilling various obligations, established by the RCE through a Specific Instruction;
- (xxviii) Regulation - This regulation governing the performance of the Services by the RCE as a Central Counterparty, as well as the obligations assumed by the CM in connection with these Services;
- (xxix) Authorized Representative - a natural person appointed to fully represent a CM in relation to the RCE, for the purpose of the Services;
- (xxx) Services - represent a service or a set of services offered by the RCE according to the Regulation. These services may include the registration of Transactions, the administration of Bonds, the management of risk, clearing and settlement, as well as various combinations of RCE obligations;
- (xxxi) Daily Account Structure - analytical situation of the Account provided to the CM by the RCE, including the balance, Risk Limit, available Transactions / Margin Call, Cash Available, Tariffs;
- (xxxii) Tariffs - the equivalent value charged by the RCE for the provision of Services. The Tariff List is provided by the RCE Instruction;

(xxxiii) Transaction - a sale or purchase of the Supporting Asset on the basis of a Contract giving rise to a Position, after registration in the Clearing Platform;

(xxxiv) Website – [www.brm.ro](http://www.brm.ro);

(xxxv) Day - is a day on which the Services are available.

In this Regulation:

- (i) the headings and subheadings are introduced exclusively to facilitate the reading of the Regulation and shall not be taken into account in its interpretation;
- (ii) the singular of the defined terms also includes their plural and vice versa, unless the context indicates otherwise;
- (iii) any reference to a statutory provision or to the applicable law shall include its updates subsequent to the form of this Regulation.

### Article 3 - Contracts admitted in the settlement clearing system

1. The CM shall be able to benefit from Services in connection with the following Contracts concluded on the Market:

From the date of adoption of this Regulation

1. WEEK /BRM_GAS_PHFV	BRMV_ss-aaaa (ss from 01 to 53)
2. MONTH / BRM_GAS_PHFV	BRMV_luna-aaaa (name of the month)

Subsequently the RCE shall also include the following Contracts:

3. QUARTER / BRM_GAS_PHFQ	BRMQ_Qn-aaaa (no. from 1 to 4)
4. FIRST SEMESTER /BRM_GAS_PHFS1	BRMGS_S1-aaaa
5. SECOND SEMESTER / BRM_GAS_PHFS	BRMGS_S2-aaaa
6. COLD SEASON/BRM_GAS_PHFCS	BRMGN_CS – aaaa
7. WARM SEASON/ BRM_GAS_PHFWS	BRMGN_WS – aaaa
8. GAS YEAR / BRM_GAS_PHFGY	BRMGY-aaaa
9. CALENDAR YEAR /BRM_GAS_PHFY	BRMY – aaaa

2. The term, semester, gas season, gas year and calendar year contracts are cascaded into quarterly or monthly contracts, as the case may be, a process that leads to the possibility of retrading the Open Positions, which have not matured.
3. The Contracts shall be concluded when the demand and supply of the CM are correlated on the Market, without the need to conclude a sale-purchase contract. The terms and conditions governing the Contracts are those provided by the standard products approved by the RERA

for the Market, and the financial settlement and guarantee of CM services shall be made according to the present Regulation.

## **CHAPTER II - ADMISSION OF THE CM IN THE CLEARING - SETTLEMENT SYSTEM**

### **Article 4 - General conditions for the admission of the CM**

1. In order to be admitted to benefit from the Services, the CM must meet, at the time of admission and / or throughout holding the CM status, as the case may be, the following conditions:
  - (i) Holding the status of Market Participant;
  - (ii) Signing the Acceptance Agreement of the CM;
  - (iii) Participation to the Guarantee Fund;
  - (iv) The existence of minimum technical and human resources requirements for the fulfilment of the obligations under this Regulation;
  - (v) Payment of the Clearing Member Tariff.
2. The admission file of the CM for the benefit of services shall include:
  - (i) a copy of the articles of association of the CM;
  - (ii) a proof of the establishment of the Bonds, the payment of the Clearing Member Tariff and the payment of the contributions to the Guarantee Fund;
  - (iii) The Acceptance Agreement of the CM signed.
  - (iv) the letter of appointment of the Authorized Representative.

## **CHAPTER III - RIGHTS AND OBLIGATIONS OF THE CM**

### **Article 5 - Rights of the CM**

1. The CMs shall have the following rights:
  - (i) To acquire the status of RCE counterparty to the Registered Transactions;
  - (ii) To participate in the following operations:
    - a) Clearing / Settlement of Positions;
    - b) Administration of Bonds;
    - c) Closing of Positions.
  - (iii) To obtain information in connection with the administration of its own Positions and the obligations assumed towards the RCE.
  - (iv) To unilaterally terminate the Agreement of Acceptance of the CM and, implicitly, the quality of CM, with a notice of 30 days.

2. The CMs shall have the following obligations:
- (i) To establish Bonds in accordance with this Regulation;
  - (ii) To fulfil its financial obligations, including the payment of the negative balance derived from the registered Positions and the payment of the Tariffs related to the Services;
  - (iii) To respond to the Margin Call immediately, but not later than the beginning of the next Day, by depositing the amount related to the Margin Call in the Cash Account. The RCE shall debit the amount related to the Margin Call from the Cash Account by direct debit.
  - (iv) In the course of their work, follow appropriate standards of conduct, namely:
    - a) they shall meet the highest standard of diligence, integrity and transparency;
    - b) they shall act according to the highest standard of professional competence;
    - c) they shall refrain from any action or conduct capable of endangering the proper functioning, transparency and credibility of the activity carried out on the Market and by the RCE according to the present Regulation;
    - d) they shall immediately report any special situation they face and which brings or could bring a disturbance in the clearing-settlement mechanism of that CM;
    - e) they shall ensure that they have permanent access to sufficient financial resources to cover future obligations that may arise from the Transactions.
  - (v) To keep the technical records of the Transactions in a fair, complete and up-to-date manner and to allow the RCE access these records, upon request, and to the audited financial statements of the CM;
  - (vi) To cooperate with the RCE on any request for information on the economic and financial situation, within 10 days of the request;
  - (vii) To report immediately any situation which comes to the attention of the CM and which could constitute a breach of this Regulation;
  - (viii) To ensure that none of the obligations, payments, Bonds (except bank guarantee letters) or arrangements relating to the status of CM are and shall in no way be dependent on or related to any other contract, concluded or to be concluded, that they are free from any encumbrances and that no third party may claim any rights in these respects;
  - (ix) To ensure compliance with all obligations under this Regulation.
3. The CMs shall act exclusively in their own name. The suspension or exclusion of the CM does not lead to an exemption from the obligations to the RCE.

## **CHAPTER IV - OPERATIONAL ASPECTS**

### **Article 6 – the CM account**

1. The obligations assumed by the CM are born as a result of the registration of Transactions.
2. To register Transactions, the CM shall open an Account in which the Transactions shall be registered.
3. The RCE assumes the status of Central Counterparty from the moment of concluding a Market Transaction.
4. The account of a CM is characterized by:
  - (i) the Account Balance, which is debited or credited at the end of each Day, based on deposits or withdrawals, of Transactions made by that CM, as well as on Market Marking, which affects the account balance even if that CM has executed no Transaction on that day, if it holds Positions.
  - (ii) Open positions that represent the difference between the number of contracts bought and sold, are calculated on each Contract and based on them the risk covered by the Single Margin per Contract is calculated.
  - (iii) The total number of Positions, related to the Transactions concluded, either as a buyer or as a seller, on the basis of which the risk covered by the Variation Margin is calculated.
  - (iv) The number of Items entered in the Delivery Period, related to the Transactions concluded, either as buyer or as seller and matured according to the related Contract, based on which the risk covered by the Delivery Margin is calculated.

#### **Article 7 – Positions**

1. In order to calculate the exposure for each CM, each Transaction is recorded in the Accounts of both CMs parties to the respective Transaction, according to the Position that each one holds in the Contract (buyer or seller).
2. For each CM, the number of Positions and the financial exposure are calculated Daily, separately for each type of Contract, registering separately on the sales direction and on the purchase direction. The difference between the number of Transactions concluded as a buyer and the number of Transactions concluded as a seller based on the same Contract represents the number of Positions open on that Day.
3. Until the entry into the Delivery Period of the Contract for which a Position is opened or the closing of a Position, they shall be recorded as open from a financial point of view. An open position can be closed by clearing, before entering the Delivery Period, by registering a Transaction of the opposite direction, with the same amount of the Supporting Asset, at the same price of the Transaction and for the same Contract.
4. The positions shall be closed by compensation only from a financial point of view, they shall remain open from a physical point of view. The positions shall be able to be closed from a physical point of view only by the physical delivery of the Support Asset, respectively by settlement.
5. The RCE may cancel a Position on its own initiative when:



- (i) That Position results from a technical problem or manifest error, in particular in the event that a Transaction has been made at a price that is clearly outside the Market price;
- (ii) In accordance with its own reasonable decision, to the extent that it considers that the Position has been opened in breach of the obligations under this Regulation regarding the conduct of trading or at the request of the TSO or the authorities. This decision shall be taken mainly in situations of violation of the provisions of the (EU) Regulation no. 1.227/2011 of the European Parliament and of the Council of October 25, 2011 on the wholesale energy market integrity and transparency (REMIT), mentioned in art. 6 of the Regulation on finding, notifying and sanctioning deviations from the regulations issued in the field of energy, approved by the Order no. 62/2013 of the RERA with the subsequent amendments. An indicative guide to such violations can be found at [https://documents.acer-remit.eu/wp-content/uploads/20190627\\_4th-Edition-ACER-Guidance\\_4thupdate.pdf](https://documents.acer-remit.eu/wp-content/uploads/20190627_4th-Edition-ACER-Guidance_4thupdate.pdf).

6. The RCE shall immediately inform the CMs concerned of the cancellation of the Positions.

#### **Article 8 - Financial clearing of Transactions and settlement**

- 1. The clearing of Transactions is performed Daily, based on the records kept by the RCE on each CM, depending on the Positions held by them. The clearing leads to the financial closure of the Positions for the purpose of the consequent adjustment of the Margins. The physical clearing of the Positions is not performed, they shall be closed from the physical point of view exclusively by the delivery of the Support Asset according to the related Contract.
- 2. The settlement of the price payments according to the Transactions is executed in the Delivery Period, based on the record kept by the RCE on each CM, depending on the Transactions concluded by them, on each type of Contract. The settlement is made on a Daily basis, and the invoice related to the settlement is issued monthly.
- 3. The nomination to the TSO shall be made on the basis of each and all registered Transactions, regardless of the financial closing of the Related Positions. The responsibility for the physical delivery operations falls strictly under the responsibility of the CM. The RCE does not in any way assume responsibility for potential imbalances in the TSO as a result of the non-acquisition or non-delivery of the Support Asset.

#### **Article 9 - Marking on the market**

- 1. Marking on the market represents the update, based on the Daily Settlement Price, at the close of the Day, of the exposure in Transactions, with the favourable / unfavourable differences resulting from the revaluation at the level of the Daily Settlement Price of Transactions on the current Day and / or previous Days.
- 2. The favourable / unfavourable differences on the Contract result from multiplying the difference between the price of each Transaction on the respective Contract and the Daily Settlement Price with the quantity of the Supporting Asset and with the number of Transactions.

#### **Article 10 – Margins**

1. The margins are due as a result of the obligations assumed by the CM towards the RCE, including the opening of Positions, and are intended to cover the risk of the RCE in the event that the obligations arising from those Positions are not fulfilled.
2. Margins are of the following types:
  - (i) Initial Margin;
  - (ii) Variation Margin;
  - (iii) Physical Delivery Margin.
3. Margins are covered by the Bonds provided by the CM in favour of the RCE.
4. Margins shall be cleared in accordance with the criteria set out in this Regulation, for the purpose of adjusting the Bonds to the transaction risk of the CM.
5. The RCE shall be able to limit the clearing degree of the Initial Margin to the Variation Margin of a CM if the risk in the trading activity is high, and in close connection with the creditworthiness and solvency of that CM regarding the fulfilment of contractual obligations in relation to trading and clearing activity on the RCE platforms, according to the RCE internal determinations. The RCE shall communicate to the CM the possible cases of limiting the clearing degree of the Initial Margin with the Variation Margin.

#### **Article 11 - Initial margin and its clearing**

1. The reference value of the Initial Margin on each Contract is established by the RCE on statistical criteria depending on the risk and price volatility of each Contract and has a fixed value in lei. This value is calculated and published by the RCE for each Contract, and is recalculated and published monthly. In cases of high volatility or significant price changes, the value shall be recalculated on a weekly basis. The values of the Initial Margin are communicated by Instructions.
2. The Initial Margin is automatically retained at the time of launching a trading order on the Market until the moment when the order is executed or cancelled.
3. If the order is executed, performing a Transaction, the Initial Margin is maintained for the entire period in which there are Open Positions on a Contract, and then for the entire Delivery Period related to the Contract.
4. For each CM, the compensation between the Opposite direction Positions shall be performed at the level of each Contract, the Initial Margin being calculated and requested in relation to the Open Positions.
5. The Initial Margin is obtained by multiplying the number of Open Positions by the Reference Value of the Initial Margin, applicable to the respective Contract.
6. The Initial Margin for one type of Contract shall not be cleared against the Initial Margin for another type of Contract.
7. The RCE shall calculate, for each Account individually the cumulated Initial Margin, as the sum of the Initial Margins.

8. If the number of open Positions on a Contract is zero (0) or there are no Transactions related to a Contract, the Initial Margin shall not be calculated, its value being by default 0 (zero).
9. The Initial Margin is cleared by the Variation Margin, for each Contract.

#### **Article 12 - Variation Margin and its clearing**

1. The Variation Margin is calculated only for the period between the Day of Registration of a Transaction in the Clearing Platform and the Day before the Delivery Period. Two (2) Days before the start of the Delivery Period, the effect of the Variation Margin on the Account balance is cancelled. If the Variation Margin has a negative value, its value shall be cumulated with the Physical Delivery Margin.
2. At the level of each Contract, a Daily Market Marking shall be made for each Transaction concluded by comparing the price of each Transaction with the Daily Settlement Price, resulting in a positive or negative exposure, depending on the meaning of the Transaction (buy or sell) and the positive or negative difference of the Transaction price compared to the Daily Settlement Price. The marking on the Market shall be performed for all Transactions registered on a Contract independent of the number of Positions opened on that Contract.
3. The exposure calculated according to par. 2 for each Transaction shall be multiplied by the amount of the Support Asset traded under the respective Contract, for each of the registered Transactions.
4. In order to determine the Variation Margin on the Contract, the algebraic sum shall be made between the values registered for each Transaction related to that Contract according to par. 3.
5. If the Variation Margin on the Contract is positive, it shall be compensated with the Initial Margin on the Contract, without their algebraic sum being able to increase above zero (0).

#### **Article 13 - Physical Delivery Margin and its clearing**

1. The Physical Delivery Margin shall be calculated and applied two (2) Days before the start of the Delivery Period. It is maintained throughout the Delivery Period, being progressively released during the Delivery Period, depending on the reduction of risks, according to the specific Instruction of the RCE.
2. The Physical Delivery Margin shall be calculated by multiplying the reference value of the Initial Margin applicable at the time of calculation for that Contract by a risk multiplier equal to two (2) for Open Positions entered in the Delivery Period on that Contract and the total number of Open positions related to that Contract.
3. . Physical Delivery Margins are not cleared against each other for Contracts with overlapping Delivery Periods (Week and Month) regardless of the opposite direction Open Positions on that Contract.
4. The cumulated Physical Delivery Margin is calculated as the sum of the Physical Delivery Margins on each Contract.
5. The evidence of the Physical Delivery Margin on the Contract and cumulated is made separately within the CM Account.

6. The Physical Delivery Margin and the cumulated Physical Delivery Margin are not cleared by the Variation Margin.

#### **Article 14 - Calculation of the account balance**

For the registration of a Transaction in the Account, it is mandatory that the balance of the Account allows to cover the turnovers resulting from the execution of the Contracts on the Risk Limit, plus the Tariffs related to the execution of the Transaction related to that Contract. Account Items shall be detailed by the Instruction.

- (i) **Account balance** = Total bonds submitted (*where the Account balance may represent a positive value (+) or 0*)
- (ii) **Risk Limit** = Cumulated Initial Margin + Cumulated Variation Margin + Cumulated Delivery Margin
- i. where:*
1. *The cumulated Initial Margin may have a negative value (-) or 0*
  2. *The cumulated Variation Margin may have a negative value (-) or 0 or a positive value (+), if there are positive Variation Margins on the Contract they shall be adjusted to the maximum clearing level according to Article 12 in order to calculate the cumulated Variation Margin.*
  3. *The cumulated Physical Delivery Margin may have a negative value (-) or 0*
- ii. If the Risk Limit is negative it shall request to cover the need for bonds*
- (iii) **Margin Call** = Additional Bonds needed, i.e.  $(1) + (2) < 0$ . *The value of the Margin Call is  $(1) + (2)$ .*
- (iv) **Trading limit** = the situation where the Bonds above the Risk Limit  $(1) + (2) > 0$ . *The value of the trading limit is  $(1) + (2)$*
- (v) **Cash available** = funds in the Account Balance deposited in cash and not blocked in Bonds for Margins. *It exists only if  $(1) + (2) > 0$ .*
- (vi) **Tariffs.**

#### **Article 15 - Available Transactions / Margin Call**

1. During the period between the registration of a Transaction and the Delivery Period, the Variation Margin changes depending on the variation of the Daily Settlement Price, affecting the Account balance. The RCE aims that during this period the balance of the Account does not fall below the Risk Limit.
2. If the amount between the Account balance and the Risk Limit is negative, the CM shall be required to actually deposit in the Available Account, no later than the beginning of the next Day, an additional amount to supplement the value of the Account Balance at least until the value of the Risk Limit, called the Margin Call. The amount related to the Margin Call shall be debited by direct debit by the RCE.

3. The Trading Limit, respectively the Margin Call is calculated for the entire balance of the CM Account and includes the results of the marking on the market of the Positions of all Transactions registered in the respective Account. The Trading Limit, respectively the Margin Call is specified at the end of the Day in the daily trading report provided by the RCE to the CM.
4. In the situation where an account of a CM registers a Margin Call, and the MC does not respond to the Margin Call within the term provided in par. (2), the RCE has the right to forcibly close the Open Positions of the CM in this situation, without other notifications.
5. During the existence of the Margin Call, the Clearing Platform shall no longer allow the respective CM to register new Transactions, but only to close the Open Positions. In order to register new Transactions, the CM shall have to respond to the Margin Call or reduce its exposure below the Risk Limit by closing Open Positions.
6. The RCE is responsible for the application of the measures related to the Margin Appeal. The failure to comply with the obligation to respond to the Margin Call entitles the RCE to suspend the respective CM from the clearing-settlement system.
7. The Margin call of a CM cannot be covered by the RCE by the use of the Margins submitted by other CMs.

#### **Article 16 - Transfer of amounts to and from the Account**

1. The CM may dispose of the amounts representing the Balance of the Account, respectively of the Bonds, according to the provisions of the present Regulation. The maximum amount that can be withdrawn from the account is equal to the Cash Account in lei, calculated daily according to the specifications of Article 14 and expressly specified in the Daily structure of the Account.
2. Transfers shall be made between the accounts specified in the Acceptance Agreement of the CM.
3. Sending false payment orders or cancelling the transfer after the payment orders have been endorsed by the CM bank leads to the rejection in the future of this way of replenishing the account for the respective CM and to its sanctioning according to the provisions of this Regulation.
4. The sending by a CM, in response to the Margin Call, of a false payment order or the cancellation of the performed transfer, determines the suspension of the access to the Clearing Platform, accompanied by the forced closing of the Positions covered by the respective payment order.
5. The Open Positions under the Transactions that have been recorded on the basis of an unconfirmed replenishment shall be forcibly closed by the RCE, as soon as it is established that the bank transfer has not been made and the respective amount shall be withdrawn from the Account. All consequences of this action and any liability to third parties are assumed, in this case, by the respective CM.
6. Payments and withdrawals from the Account are considered made at the time of confirmation of receipt of the amounts in the Account, respectively when they are sent to the bank. These

operations are final, the CM not having the right to any recourse, and the RCE has no responsibility, towards any operations performed in a defective or erroneous way.

7. The CM account is not interest-bearing.
8. If the CM does not submit the forms for withdrawals and replenishments of the Account by the deadline and under the conditions specified in the Daily Schedule, the RCE has the right not to perform on that Day the requested operations.

#### **Article 17 - Daily report**

1. At the end of each Day, each CM has access to the confirmation reports and the Daily Account structure that shall be provided by the RCE by e-mail, to the address specified in the Acceptance Agreement of the CM.
2. The Daily Structure of the Account shall be available and updated even if the CM has not performed any operation on that Day, based on the marking on the market of the Open Positions held by it, which affects the components of the Account.
3. The objections to the Daily Account Structure on a given Day shall be sent to the RCE by the beginning of the next Day at the latest. If no objections are received within this period, the data in the Daily Account Structure are considered final and attract the liability of the CM in connection with the obligations arising therefrom, the RCE being exonerated from any liability.
4. The Daily Structure of the Account as well as the other reports provided by the RCE shall be established by a specific Instruction issued by the RCE.

#### **Article 18 - Daily settlement price**

1. The Daily Settlement Price is calculated for each Contract.
2. The Daily Settlement Price is determined by the RCE according to specific algorithms. Depending on the liquidity of the Market, the Daily Settlement Price can also be calculated by reference to the other markets managed by the RCE, in order to make an adequate calculation of the price of the Support Asset.
3. If the Daily Settlement Price of a Day varies by more than 10% compared to the Daily Settlement Price of the previous Day, it shall be adjusted by the RCE.
4. If a Contract has never been traded on the Market, the Daily Settlement Price shall not be calculated for that Contract.

### **CHAPTER V - RCE FINANCIAL RESOURCES**

#### **Article 19 - Use of RCE resources to cover the CM obligations**

1. In case of non-fulfilment of the obligations of a CM the RCE shall use all the financial resources available to the RCE to cover its obligations, at the same time as the diminution of these obligations, by closing Open Positions. The funds shall be used only after the forced closure of all Open Positions held by the CM.

2. The RCE shall cover the financial obligations not met by the CM in the monetary resources regulated according to this article.
3. The financial resources to cover the obligations of a CM consist of the following and shall be used in this order:
  - (i) The Margins deposited by the CM;
  - (ii) The individual contribution of the CM to the Guarantee Fund;
  - (iii) The contributions of the other CMs to the Guarantee Fund
  - (iv) The contribution of the RCE to the Guarantee Fund, within the limits provided by the Instruction.
4. In case of using the resources provided at point (2) paragraph (iii) above:
  - (i) Each CM whose contribution has been used to cover the obligations of another CM shall be notified to re-establish this contribution to the Guarantee Fund within 10 days of notification. The new contribution deposited shall not be used to cover the obligations that generated the initial use of the Guarantee Fund;
  - (ii) The CM responsible for not fulfilling the obligation that generated the use of the contribution of other CMs to the Guarantee Fund shall have the obligation to reimburse the amounts used to cover its obligations within 48 hours and its access to the Clearing Platform shall be automatically suspended. If the CM does not reimburse the amounts used to cover its obligations within the period provided above, its access to the clearing-settlement system shall be withdrawn, and the RCE shall take all necessary steps to recover from the CM the amounts used from the Guarantee Fund.

## **Article 20 - Guarantee Fund**

1. The Guarantee Fund is constituted in accordance with the legal provisions, in order to ensure the resources necessary for the proper functioning of the clearing-settlement mechanism of the Transactions. The Guarantee Fund is administered by the RCE. The RCE may set up the Guarantee Fund at a time after the launch of the Services.
2. The Guarantee Fund reflects the joint and several liability of the CM. The CM are obliged to participate in the establishment of the financial resources of the Guarantee Fund.
3. The financial resources of the Guarantee Fund are constituted by the contribution of MC and of RCE cumulatively RCE contributes to the Guarantee Fund through its own initial contribution in the amount of 2,000,000 Euro. MC's contributions to the establishment of the financial resources of the Guarantee Fund will be taken into account and agreed starting with 01.01.2022. The financial resources to be constituted by the MC to the guarantee fund will be detailed through a specific instruction that will be published for public consultation until 01.10.2021.
4. The Guarantee Fund shall not be used to cover Margin Calls or Tariffs.

5. The individual contribution of a CM to the Guarantee Fund shall be reimbursed to it in case of permanent withdrawal from the clearing-settlement system of the RCE, after closing all Open Positions and covering all obligations resulting from the Transactions.

## **CHAPTER VI - MEASURES IN THE EVENT OF AN ACTIVITY FAILURE**

### **Article 21 - Liability limits of the RCE**

1. The RCE shall not be liable for any damage suffered by the CM as a result of:
  - (i) the unfavourable market conditions, commercial risk, fortuitous event, force majeure, interruption, suspension or exclusion from trading of a Contract, when these are performed in accordance with the prerogatives of the RCE provided for in this Regulation;
  - (ii) the application of the provisions of this Regulation;
  - (iii) the technical issues, including, without limitation, issues related to the provision of electricity or Internet services or other situations beyond the control of the RCE that may affect the functionality of the Clearing Platform;
  - (iv) Any legislative changes or decisions of public authorities that would lead to the interruption of the Services.
2. Without prejudice to the possibility of suspension or exclusion under this Regulation, the CMs shall be liable for any damage caused by their breach of the provisions of this Regulation.
3. the CMs shall under no circumstances refuse to comply with their obligations and shall not, in this regard, oppose any exceptions, clearings or other similar rights or claims arising from any legal act against the RCE and / or other CM.
4. If, in accordance with the rules of the centralized market administered by the RCE, a Transaction is cancelled, for any reason, the RCE withdraws its role as Central Counterparty.
5. For the avoidance of any doubt, the limit of RCE's liability for any claims arising from the activity performed under this Regulation, regardless of their nature or title, shall not exceed the value of RCE's Contribution to the Guarantee Fund.

### **Article 22 - The CM failure to fulfil its obligations**

1. In case a CM does not fulfil its financial obligations related to the Contracts, the RCE shall take control over the Account and shall move to the forced closing of the Positions in the Account, up to the level of covering the obligations of that CM. the RCE shall use the amounts resulting from the forced closing of the Positions and those existing in the Account to cover the existing obligations.
2. The forced closing of the Positions shall be achieved by the performance of Transactions by the RCE until the inclusion in the Risk Limit. The transactions shall be carried out without taking into account the price and the execution time, the only objective of the RCE being the reclassification in the Risk Limit. If the Account balance becomes negative, the RCE shall forcibly close Positions until all positions held by that CM are liquidated.



3. The losses registered by the CM following the forced closing of the Positions held shall be fully borne by them.
4. If the amounts resulting from the forced closing of the Positions, together with those existing at that time in the Account are not sufficient to settle the obligations, the liability of the CM shall not be limited to the value of the assets constituted as Guarantee and the RCE shall be entitled to recover all the damage incurred, in the courts, according to the common law.

#### **Article 23 - Breach by the CM of the provisions of the Regulation**

1. A CM's breach of the provisions of the Regulation shall be incidental when there shall be a non-execution or a defective or fraudulent execution of the obligations under this Regulation, or if there is a situation indicating that the CM cannot or shall not be able to comply in the future with its obligations towards the RCE.
2. Without prejudice to the general character of par. 1, the following situations shall constitute breaches of the Regulation:
  - (i) an existing or imminent insolvency situation or similar proceeding;
  - (ii) any situation which, by the law, indicates the general inability of the CM to comply with its financial obligations;
  - (iii) any task, seizure or enforcement procedure applicable to a significant portion of the CM's assets;
  - (iv) Non-fulfilment of the obligation to deliver the Support Asset, in accordance with the concluded Contracts.
3. In the event of a breach of the provisions of the Regulation, the RCE may take any of the measures described in Article 25 where this is necessary to protect the normal functioning of the Clearing and Settlement of Positions.

#### **Article 24 - Exceptional circumstances**

Where circumstances justify it, including unusual price volatility or any other situation affecting the normal operation of the Services or the Market, the RCE may, in addition to other possible actions under the powers expressly conferred by the Regulation, the Market Regulations and the applicable law:

- (i) To prohibit a CM from recording Transactions, opening Positions or assuming additional responsibilities and increasing its risk exposure;
- (ii) To determine the reduction of a CM's risk exposure by closing or opening new Positions;
- (iii) To take over the control of a CM's Account;
- (iv) To determine the establishment or consolidation of the Margins of a MC during a Day;
- (v) To set or define reference prices other than those set out in the Regulation and the Instructions;
- (vi) To withhold the payments of financial settlements due;

- (vii) To take all necessary measures to protect the integrity, proper functioning, security and transparency of the Services or the Market;
- (viii) To interrupt the Services, even in the event of open Positions.

## **CHAPTER VII - SUPERVISION AND SANCTIONS**

### **Article 25 – Surveillance**

1. Without prejudice to the prerogatives conferred by the applicable law and the market regulations the RCE shall monitor the normal operation and transparency of the clearing and settlement activity and the obligations of CMs associated with them, and shall implement the necessary measures to detect and prevent fraudulent or unlawful actions of CMs.
2. The RCE shall immediately report to the RERA the aspects or situations that are capable of violating the provisions and principles of the applicable laws.

### **Article 26 – Sanctions**

1. The RCE may apply the following sanctions in case of breaches of the Regulation or non-fulfilment of the obligations by the CM:
  - (i) Warning;
  - (ii) Suspension for a period of up to six (6) months;
  - (iii) Withdrawal of the CM status.
2. The nature and duration of the sanctions shall be established by the RCE depending on the severity, the repetitive nature, the damages created, the unfair gain obtained through the actions committed.
3. The RCE shall sanction the CM for the non-fulfilment of the obligation of physical delivery of the Support Asset with the suspension for a period of at least 3 months. The effective period of suspension shall be established by the Board of Directors of the RCE, depending on the severity of the deviation, based on criteria such as the value of the defaulted transaction, the repeated nature of the deviation, the corroboration with other deviations, such as the lack of response to the Margin Call.
4. In case of suspension of a CM the RCE shall prohibit it from opening new Positions on all its accounts.

## **CHAPTER VIII - TRANSITIONAL AND FINAL PROVISIONS**

### **Article 27 - Transitional and Final Provisions**

1. This Regulation is developed and may be amended by the RCE. This Regulation as well as the subsequent amendments and completions shall be submitted to public consultation with the CM and shall be published on the Website at least two weeks before the date of their entry into force.
2. This Regulation may be detailed by RCE Instructions issued in connection with the technical aspects of the processes described in this Regulation. The RCE Instructions are mandatory

for the CM on the Day of their publication on the Website.

3. The rules contained in this Regulation shall be supplemented accordingly by the provisions of the applicable law as well as by the regulations and procedures governing the functioning of the Market.

### **List of RCE Instructions for detailing the Regulation**

1. Instructions on **Bonds aimed at covering financial risks**
2. Instructions on establishing the **Daily Schedule**
3. Instructions on establishing **the Tariffs related to the Services**
4. Instructions on determining **the Initial Margin Values**
5. Instructions on **the Physical Delivery Margin**
6. Instructions on the elements of **the Daily Account Structure and the reports provided by the RCE to the CM**
7. Instructions on **the Guarantee Fund**