

Approved by the Management  
Board of Nasdaq CSD SE  
10 July 2020

**Nasdaq CSD SE**

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**RULES OF NASDAQ CSD**

**CHAPTER IV**

**PROVISIONS SPECIFIC TO LITHUANIAN SETTLEMENT SYSTEM**

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Effective Date: 10.09.2020

## **1. LEGAL BASIS, GOVERNING LAW AND DISPUTE RESOLUTION**

- 1.1. The Depository acts as universal legal successor of AB “Lietuvos centrinis vertybinių popierių depozitoriumas” (Central Securities Depository of Lithuania) and it provides core CSD services and certain non-banking-type ancillary services in Lithuania through its Lithuanian branch (**the Lithuanian branch**).
- 1.2. Lithuanian Settlement System is designated as a securities settlement system governed by the Lithuanian law and notified to the European Securities and Markets Authority in accordance with Settlement Finality Directive.
- 1.3. The activities of the Depository, when acting as the operator of the Lithuanian Settlement System, and its relations with Participants, to the extent they act as System Participants of the Lithuanian Settlement System, and Issuers, to the extent their securities have been initially recorded in Lithuania, and matters listed under 2.17.3 of Chapter I of the Rulebook, are governed by the Lithuanian law.
- 1.4. Any disputes, claims or controversies that arise in connection with Lithuanian Settlement System shall be resolved pursuant section 2.18 of Chapter I of the Rulebook.
- 1.5. While acting as an account operator, the Lithuanian Branch must comply with all the requirements imposed on account operators.

## **2. RULES OF THE LITHUANIAN SETTLEMENT SYSTEM**

- 2.1. Provisions of Chapter I of the Rulebook and Contractual Documents referred to in 2.2.2 (vi) shall apply to the Lithuanian Settlement System to the extent and unless:
  - (i) specifically provided otherwise in this Chapter IV;
  - (ii) provided otherwise by the wording, nature or purpose of the relevant provision of Chapter I of the Rulebook and Contractual Document referred to in 2.2.2 (vi);
- 2.2. Provisions of the Rulebook dealing with settlement of claims and obligations arising from instructions entered into the Lithuanian Settlement System to debit or credit or make other entries to securities account in the Lithuanian Settlement System shall be considered as the Rules of the Lithuanian Settlement System within the meaning of Settlement Finality Directive and Lithuanian Law on Settlement finality in Payment and Securities Settlement Systems as well as the Law on Markets in Financial Instruments.
- 2.3. Credit, liquidity and operational risk management is covered by the Depository risk management policies. Rules, measures or guidance concerning those risks issued by the Depository shall apply to the Lithuanian Settlement System.

**3. USER COMMITTEE OF THE LITHUANIAN SETTLEMENT SYSTEM**

The Depository shall be advised by the user committee of the Lithuanian Settlement System (**the User Committee**) on matters related to the Lithuanian Settlement System. The mandate, governance arrangements, operational procedures, admission criteria and election mechanism of the User Committee members shall be provided in "Rules of Procedure of the User Committee of the Lithuanian Settlement System".

**4. SPECIAL PROVISIONS REGARDING NOTARY SERVICES IN LITHUANIA**

4.1. The Notary services related to equities, debt securities, financial instruments issued by the collective investment undertakings and other financial instruments issued by the companies and other subjects registered in Lithuania shall be provided by the Depository through its Lithuanian branch in accordance with the provisions of Chapter I of the Rulebook, as well as provisions of the applicable legal acts for particular financial instruments.

4.2. In the capacity of a member of Association of National Numbering Agencies, the Depository assigns ISIN and classification of financial instrument (CFI) codes and other necessary specifications to the securities initially registered in Lithuania through Lithuanian branch on reasonable commercial terms and on a non-discriminatory basis.

**5. SPECIAL PROVISIONS RELATED TO CERTAIN ANCILLARY SERVICES IN LITHUANIA**

5.1. An issuer or authorized representative of the issuer shall have the right to require at any time the lists of owners of the financial instruments issued by it and the persons in the name whereof accounts of the financial instruments have been opened.

5.2. The right of the issuer shall be exercised by submitting a request to the Depository to prepare the lists of owners of the financial instruments issued by the issuer and the persons in the name whereof accounts of the financial instruments have been opened or a list of the Participants. The Issuer's request has to comply with the requirements set out in the Operating Manual.

5.3. The Depository, at the choice of the issuer, shall submit a list of the owners of the financial instruments and the persons in the name whereof accounts of the financial instruments have been opened or a list of the Participants.

5.4. The Depository issues an instruction to all the relevant Participants to provide information in respect of the lists of owners of the financial instruments issued by the issuer and the persons in the name whereof accounts of the financial instruments have been opened. The Participant shall provide the information on the financial instruments, owners of the financial instruments and the persons in the name whereof accounts of the financial instruments have been opened, which is set out in the Operating Manual, to the Depository by the deadline provided in the Depository's instruction.

5.5. In case the Participant maintains nominee account, the Participant requests the nominee account holder to provide information on the owners of the securities at the indicated date. The Participant provides to the Depository information set out in the Operating Manual within the deadline established in request to provide information.

**6. SPECIAL PROVISIONS RELATED TO CENTRAL MAINTENANCE SERVICES IN THE LITHUANIAN SETTLEMENT SYSTEM**

6.1. Records and accounts in the Lithuanian Settlement System shall allow levels of asset segregation and protection provided by the Law on Markets in Financial Instruments and other relevant provisions of the applicable legal acts. An entirety of interrelated accounts in the Lithuanian Settlement System builds the accounting system of financial instruments in Lithuania.

6.2. The Depository opens and keeps records with the Lithuanian Settlement System in accordance with the provisions on Central maintenance in Chapter I of the Rulebook to the extent and unless specifically provided otherwise in this Chapter IV of the Rulebook.

6.3. The account type specified in 5.3.1 (ii) of Chapter I (Participant pledge account) may be opened by using the additional sub-type to the extent that such sub-type is used for accounting of securities in the Lithuanian Settlement System:

6.3.1. Participant pledge account for pledge over the securities owned by a customer of the Participant - an account that is registered in the name and in favour of the Participant and is used for recording financial pledge over the securities owned by a customer of the Participant and credited to this account.

6.4. The Depository shall restrict the movements of financial instruments among different top tier securities accounts in accordance with the Law on Markets in Financial Instruments and other legal acts regulating the provision of the accounting services.

**7. SPECIAL PROVISIONS RELATED TO SETTLEMENT SERVICES IN THE LITHUANIAN SETTLEMENT SYSTEM**

7.1. For the settlement of transactions concluded in the Special Procedures Market of AB Nasdaq Vilnius, including, but not limited to IPO, a public share sale or an execution of a tender offer, the provisions regarding settlement services in Chapter I of the Rulebook shall apply *mutatis mutandis*.

7.2. The Depository shall take over the information on the owners and balance of the financial instruments accounts belonging to these owners from the Account Operators against which bankruptcy proceedings have been instituted in accordance with the Law on Markets in Financial Instruments and other legal acts regulating the provision of the accounting services. The Depository shall keep this information, but it does not provide any services to the owners of the financial instruments except for services which are allowed by the legal acts and/or Section 12.6 of Chapter IV of the Rulebook.

**8. SPECIAL PROVISIONS REGARDING CERTAIN PARTICIPANT DEFAULT PROCEDURES UPON TERMINATION**

8.1. The Lithuanian Settlement System and the rights and obligations of the Depository against the Participant, acting as a System Participant of the Lithuanian Settlement System, in respect of the Insolvency Event of the Participant are governed by the Lithuanian law.

8.2. In case Insolvency Event against an Participant has been initiated in the court, the Participant, acting as a System Participant of the Lithuanian Settlement System, must immediately notify the Lithuanian branch thereof. The notification on the initiation of the Insolvency Event must indicate the calendar date and time of the adoption of the resolution of the court.

**9. SPECIAL PROVISIONS REGARDING COMMUNICATION OF APPLICATIONS AND REQUESTS RELATED TO THE LITHUANIAN SETTLEMENT SYSTEM**

All notices, requests, applications, inquiries, orders and other communication to the Depository in its capacity as the operator of the Lithuanian Settlement System shall be referred to the Lithuanian branch.

**10. SPECIAL PROVISIONS REGARDING SERVICES TO THE LITHUANIAN GOVERNMENT**

10.1. The Lithuanian Government financial instruments shall be recorded and managed in the Lithuanian Settlement System in accordance with the provisions in Chapter I and Chapter IV of the Rulebook, as well as the requirements of the other legal acts and corresponding agreements signed between the Depository and the institution representing the Lithuanian Government – the Lithuanian Ministry of Finance. The Depository provides services to the Lithuanian Government through its Lithuanian branch.

10.2. The Depository provides services in respect of these Lithuanian Government financial instruments:

10.2.1. The Lithuanian Government securities (T2S eligible securities); and

10.2.2. The Lithuanian Government saving notes (Non-T2S eligible securities).

10.3. In respect of the services referred to in section 10.2 of the Chapter IV of the Rulebook, the Lithuanian branch acts as:

10.3.1. an Issuer Agent and (or) a Cash Agent for the Lithuanian Ministry of Finance in respect of the Lithuanian Government saving notes and the Lithuanian Government securities registered within the Depository and must comply with all the requirements imposed on an Issuer Agent or a Cash Agent *mutatis mutandis*.

10.3.2. an Account operator in respect of the Lithuanian Government savings notes accounts in the Lithuanian Government savings Notes Register and must comply with all the requirements imposed on an Account Operator *mutatis mutandis*.

10.4. Special provisions regarding settlement of the Lithuanian Government securities in the Lithuanian Settlement System:

10.4.1. The settlement of the Lithuanian Government securities auctions, redemption and interest payment will not be carried out during the Lithuanian statutory holidays;

- 10.4.2. The Lithuanian Government securities are settled on T2S Platform in accordance with the provisions in Chapter I of the Rulebook and corresponding agreements signed between the Depository and the Lithuanian Ministry of Finance.
- 10.4.3. A partial settlement of transactions concluded during Lithuanian Government Debt Auctions in the Lithuanian Government securities is not allowed.
- 10.5. Special provisions regarding settlement of the Lithuanian Government savings notes in the Lithuanian Settlement System:
- 10.5.1. The distribution of the Lithuanian Government savings notes, redemption and interest payment will not be carried out during the Lithuanian statutory holidays;
- 10.5.2. The Lithuanian Government saving notes are settled on CSD System in accordance with the provisions in Chapter I and Chapter IV of the Rulebook and corresponding agreements signed between the Depository and the Lithuanian Ministry of Finance;
- 10.5.3. In order to ensure cash settlement for the Lithuanian Government savings notes, the Lithuanian Settlement System has an ancillary system account in TARGET2 (**the AS account**) maintained by the Lithuanian Branch. The AS account is used for settlement of Transfer Orders in respect of the Lithuanian Government savings notes, including Corporate Action proceeds.
- 10.5.4. Cash settlement in case of distribution of the Lithuanian Government savings notes:
- (i) On the Settlement Day before the deadline set by the Depository in the Operating Manual, the Participant transfers the required cash amount to the AS account of the Lithuanian branch, acting as the Cash Agent.
  - (ii) The Depository transfers the cash balance from the AS account of the Lithuanian branch, acting as the Cash Agent, to the Lithuanian Ministry of Finance automatically according to the time schedule provided in the Operating Manual.
- 10.5.5. Cash settlement in case of redemption of the Lithuanian Government savings notes or corporate action proceeds:
- (i) On the Settlement Day before the deadline set by the Depository in the Operating Manual, the Lithuanian Ministry of Finance transfers the required cash amount to SEPA MMS account of the Lithuanian branch of the Depository, acting as the Cash Agent. SEPA MMS means a retail payment system run by the Bank of Lithuania. The Lithuanian branch of the Depository, acting as the Cash Agent, transfers this cash amount to AS account;
  - (ii) The Depository transfers the cash balance from the AS account of the Lithuanian branch, acting as the Cash Agent, to the Participant automatically according to the time schedule provided in the Operating Manual.
- 10.5.6. In case of the Lithuanian Government savings notes, the cash settlement is final when the settlement amount is debited from the AS account of the Lithuanian branch, acting as the Cash Agent, in accordance with Section 10.7.3 or Section 10.7.4. Other provisions regarding SF I, SF II and SF III in Chapter I of the Rulebook shall apply to the Lithuanian Government savings notes *mutatis mutandis*.
- 10.5.7. The settlement and ancillary services that Depository provides in respect of the Lithuanian Government savings notes are set forth also in the Savings Notes Service Description.
- 10.5.8. A partial settlement of primary trading transactions in the Lithuanian Government savings notes is not allowed

**11. SPECIAL PROVISIONS REGARDING FINANCIAL INSTRUMENTS OF PRIVATE LIMITED LIABILITY COMPANIES**

- 11.1. The Depository provides initial recording of securities, maintenance of securities accounts at the top tier level and other CSD services to the private limited liability companies through the Lithuanian Settlement System in accordance with the provisions specified in Chapter I of the Rulebook, as well as the provisions of the applicable legal acts for particular financial instruments.
- 11.2. If a private limited liability company intends to terminate effective contractual arrangement with the Depository and to close top tier securities accounts within the Lithuanian Settlement System, all financial instruments of this private limited liability company shall be transferred to a single Account operator that will consequently keep lower tier securities accounts or shall be transferred to the private limited liability company.
- 11.3. Where a private limited liability company's contractual relationship with the Depository is terminated, the private limited liability company and the Account operator representing this company must cooperate with the Depository in those matters relating to termination that the Depository reasonably requires.

**12. SPECIAL PROVISIONS REGARDING TEMPORARY ISSUER ACCOUNTS AND TEMPORARY SECURITIES ACCOUNTS**

- 12.1. If an Account operator has opened to the owner of the financial instruments a securities account at the lower tier level on the basis of an application and agreement with an issuer (hereinafter – **the Agreement**) before this Rulebook came into force, the Depository opens to this Account operator a temporary issuer account per each issuer at the top tier level in accordance with the Law on Markets in Financial Instruments and other legal acts regulating the provision of the accounting services.
- 12.2. The financial instruments held in the temporary issuer accounts shall not be involved in any operations except for the ones which are allowed by the legal acts and/or this section of the Chapter IV of the Rulebook, which determine transferability restrictions or other encumbrances. To acquire absolute operational rights with financial instruments recorded in the temporary issuer account, these financial instruments should be transferred by the Account operator to any of the accounts referred to in section 5.3 of the Chapter I of the Rulebook.
- 12.3. If the Agreement has been terminated, the issuer shall sign a new Agreement with another Account operator in accordance with the Law on Markets in Financial Instruments and other legal acts regulating the provision of the accounting services.
- 12.4. In case the issuer has not signed a new Agreement with another Account operator, the former Account operator shall provide the Depository with the information on the owners and balance of the financial instruments recorded in the temporary issuer account (hereinafter – **the Information**) within five business days from the date of termination of the Agreement. If the Account operator has not provided the Information, the Depository may issue an instruction to

this Account operator to provide the Information. The Account operator shall provide the Information to the Depository by the deadline provided in the Depository's instruction.

12.5. The Depository shall keep received Information, but it does not provide any services to the owners of the financial instruments except for services which are allowed by the legal acts and/or sections 12.6 or 12.7 of this Chapter IV of the Rulebook.

12.6. If an Account Operator has signed agreement with the owner of the financial instruments referred to in section 12.4 of this Chapter IV of the Rulebook and opened to this owner an securities account at the lower tier level, the Depository shall transfer the financial instruments belonging to this owner to this securities account in accordance with the Transfer Order provided by the Account Operator. When the Transfer order is executed, the Depository shall make appropriate records in the Information.

12.7. The issuer and the Depository may sign an agreement regarding safekeeping and related services. If an issuer has signed with the Depository an agreement regarding safekeeping and other related services, the Depository may open to the owners of the financial instruments referred to in section 12.4 of this Chapter IV of the Rulebook the temporary securities accounts on the basis of the Information and at the expense of the issuer. The financial instruments held in the temporary securities accounts shall be involved in any operations to the extent determined in the agreement regarding safekeeping and other related services and these services are allowed by the legal acts, which determine transferability restrictions or other encumbrances.

### **13. SPECIAL PROVISIONS RELATED TO CORPORATE ACTION**

13.1. In accordance with the clause 3, article 89 of the Law on Markets in Financial Instruments, issuers and other persons whose issue of financial instruments are registered with the Depository shall inform the Depository about Corporate Actions and provide it with related documents and information necessary for processing of Corporate Actions through the Depository. The Corporate Action has the meaning set out in Annex I of Chapter I of the Rulebook.

13.2. The detailed list of Corporate Actions and the procedure for processing of these Corporate Actions at the highest financial instruments accounting level are set out in the Chapter I of the Rulebook and Corporate Action Service Description.

13.3. The Depository shall take all reasonable steps within powers afforded to it under the clause 89 of the Law on Markets in Financial Instruments to support processing of Corporate Actions. Corporate Actions are processed by the Depository in accordance with the provisions of the Chapter I of the Rulebook, Corporate Action Service Description and T2S functionality and are considered to have occurred when the Depository makes appropriate entries in the accounts of financial instruments and / or cash on the basis of the documents submitted to it.



13.4. The principles of rounding of financial instruments and cash applied to Corporate Actions at the highest financial instruments accounting level:

13.4.1. The payments in financial instruments should be processed by rounding down to the nearest whole number (top-down method);

13.4.2. The amount payable for a cash transaction is rounded to the nearest number of decimals permissible in the payment currency. If the fraction is 0.5 cent or greater, the amount is to be rounded up to the nearest number of decimals permissible in the payment currency. If the fraction is less than 0.5 cent, the amount is to be rounded down to the nearest number of decimals permissible in the payment currency.

13.4.3. When fractions occur and the issuer compensates them in cash at the level of the issuer, then the Depository, Participants and all the intermediaries down the chain should on their turn, each at its respective level, also compensate any fractions in cash.

#### **14. SPECIAL PROVISIONS REGARDING SERVICES TO THE BANK OF LITHUANIA**

14.1. The Depository provides services to the Bank of Lithuania through its Lithuanian branch. The services to the Bank of Lithuania shall be performed in accordance with the provisions set forth in Chapter I and Chapter IV of the Rulebook, corresponding agreements signed between the Depository and the Bank of Lithuania and other legal acts.

14.2. The Lithuanian branch acts as an Account Operator for the Bank of Lithuania in accordance with the provisions set forth in the agreement on securities accounting and other related services, signed between the Depository and the Bank of Lithuania.