

**TRADING PROCEDURE ON THE CENTRALIZED NATURAL GAS MARKETS
ADMINISTERED BY THE COMPANY ROMANIAN COMMODITIES EXCHANGE S.A.,
UNDER THE CONDITIONS OF USING A CLEARING/ COUNTERPARTY HOUSE**

GENERAL PROVISIONS

Art. 1.

The present procedure establishes the organized framework for trading natural gas on market of standardized products in the medium and long term, through an electronic trading platform managed by Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A., hereinafter referred to as "BRM", as a licensed operator in the management of centralized natural gas markets, under the conditions of using the services of a clearing house/counterparties to guarantee the fulfillment of financial obligations of market participants.

TERMINOLOGY

Art. 2.

1. For the purposes of this procedure, the terms and abbreviations used shall have the following meanings:

- a) **Framework Agreement for the provision of clearing/counterparty services** - will be represented by the Clearing Member Acceptance Agreement, published on the BRM website;
- b) **Competent authority** - National Energy Regulatory Authority (ANRE);
- c) **Broker** - the natural person having an employment relationship with the economic operator or with a brokerage firm, whose main tasks are the placing and maintenance of orders during trading sessions/tenders and who has the right to engage the liability of the economic operator he represents in relation to the BRM;
- d) **Clearing House** - the financial company that BRM appoints to act as Counterparty. The Clearing House operates in accordance with its own procedures, its own license and the approvals obtained from the financial supervisory bodies ESMA (European Securities and Markets Authority);
- e) **Clearing/clearing** - is a process of managing and calculating financial positions, based on which the amount of collateral is determined to ensure the risk of financial loss caused by the replacement of open positions as a result of transactions.
- f) **Standard contract** - a notion specific to electronic trading that represents the total quantity of a buy/sell order for the entire delivery period and delivery profile of a standardized product;

- g) **Counterparty** - an entity that interposes itself financially between the seller and the buyer, becoming the buyer for the seller and the seller for the buyer, respectively, in order to ensure the settlement of the transaction concluded on the market on their behalf. BRM may act as Counterparty in medium and long-term transactions;
- h) **Transaction confirmation** - a notification received by the participant via the trading system, confirming a transaction executed by the participant;
- i) **Participation Agreement** - a standard agreement defined by the BRM, which is concluded with the Participants, and which sets out the mutual rights and obligations of the parties regarding participation in the Energy Markets administered by the BRM;
- j) **Transmission and System Operator (TSO)**, in this case S.N.TG.N. Transgaz S.A.;
- k) **Bid/offer** - an offer submitted by a participant, consisting of a price-quantity pair and other specific attributes, which represents the firm commitment of the participant;
- l) **Participant** - an economic operator in the natural gas sector that signs the Participation Agreement, signs the Framework Agreement for the provision of clearing/counterparty services and has a balancing and PVT access contract in force with the transmission system operator;
- m) **Price** - the price at which the transaction was executed, recorded and displayed by the trading system;
- n) **Best price** - the price defined as the price of the order with the highest execution priority, i.e. the highest bid price or the lowest offer price of a tradable product;
- o) **Dual competitive trading facility** - the set of rules and mechanisms for bidding, trading and dealing established by this procedure. It implies the launch of standardized tradable products by the BRM in a trading session;
- p) **Standardized product** - a product defined in the BRM trading system for the sale - purchase of natural gas in the medium and long term;
- q) **Transaction report** - a statement issued by the BRM's trading systems, containing complete data on the bids submitted, interventions during the trading session/auction and realized transactions;
- r) **Counterparty Regulations** - the Clearing, Settlement and Risk Management Regulation of the Romanian Stock Exchange as Counterparty and the Instructions issued on its basis or the Clearing House Regulations, in case of the designation of such entity as Counterparty, as the case may be;
- s) **Trading session** - the period of the trading procedure during which bids and/or offers can be entered, modified, suspended or cancelled and transactions can be concluded - if the matching conditions set by the algorithms of the trading systems are met;
- t) **Trading systems** - IT systems operated and managed by BRM for the purpose of trade execution;

- u) **Trade - an** operation concluded in the trading system as a result of matching a bid with an offer, according to algorithms specific to trading systems;

(2) The other terms used and other definitions used in this Procedure have the meanings provided for in the Regulation on the organized framework for trading standardized products on the centralized natural gas markets administered by the company Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A., hereinafter referred to as "Regulation", as well as in the relevant legislation in force.

STANDARDIZED PRODUCTS ADMITTED TO TRADING

Art.3. (1) On the medium and long term products market, under the conditions of using a Clearing House, BRM shall organize trading sessions for the following standardized products:

- a. WEEK (delivery interval - gas week)
- b. MONTH (delivery interval - gas month)
- c. QUARTER (delivery interval - gas quarter)
- d. SEMESTER (delivery interval - gas semester)
- e. COLD SEASON (delivery interval - fourth and first gas quarters)
- f. WARM SEASON (delivery interval - gas quarters II and III)
- g. GAS YEAR (delivery period - gas year)
- h. CALENDAR YEAR (delivery period - calendar year).

(2) The description and characteristics of each standardized product are set out in the **Annex to** this procedure.

SPECIFIC PARTICIPATION AND TRADING REQUIREMENTS

Art. 4.

(1) Participation in medium and long-term product market transactions shall be allowed for economic operators meeting the following requirements:

- Holders of a valid license issued by ANRE to market natural gas, who have previously concluded a balancing and PVT access contract with the OTS;
- distribution system operators and natural gas storage system operators, which have previously concluded a balancing and PVT access contract with the TSO and have the right to trade exclusively on the purchase side;
- final customers who have concluded a balancing contract and access to PVT with the OTS, with the right to trade on the buy side; on the sell side they have the right to sell natural gas only to effectively balance their own portfolio;

- the transmission and system operator, for the purpose of undertaking the physical balancing of the transmission system and constituting the minimum compulsory stock of natural gas.

(2) The standardized products listed in Article 3 (1) have the following characteristics:

- shall relate to the transfer of ownership in the PVT of quantities of natural gas to be delivered to the PVT on a constant daily basis for a period of time longer than one gas day;
- the transfer is carried out on the basis of the transaction report issued by the BRM's trading systems;
- the quantity traded under such a standard contract is 1 MWh/day;
- the subject of the transaction is a standard contract or a multiple of standard contracts, and the elements that can be changed by the parties involved in the trading sessions are the price per standard contract and the number of standard contracts traded;
- the price and the number of standard contracts attached to a concluded transaction cannot be changed after the transaction has been concluded.

(3) Transactions between Participants shall be concluded when orders are matched in accordance with Article 8 of this Procedure and the Transaction is taken over by the Counterparty, without the need for a written gas sale and purchase agreement. The terms and conditions governing the Contracts shall be as set out in para. 2 above, and the financial settlement and the guarantee of the participants' benefits shall be carried out in accordance with the Clearing, Settlement and Risk Management Regulation of the Romanian Stock Exchange as Counterparty.

THE TRADING PROCESS

The trading mechanism used in the Medium and Long-Term Product Market administered by BRM shall be the double competitive trading mechanism.

COMPETITIVE DOUBLE TRADING MECHANISM

Art.6. The launch for trading of standardized products shall be made at the initiative and by the BRM, as follows:

- (1) The release of an asset for the WEEK product is made at least 2 days before the delivery period;
- (2) The release of an asset for delivery periods of at least one month shall take place at least 5 calendar days before the first day of the delivery interval;
- (3) The release of an asset for periods exceeding one month shall be made at least one month before the first day of the delivery interval.

I. STAGES OF THE TRADING SESSION

Art. 7.

(1) From the opening hour of the trading session brokers shall place orders. They shall be validated only if they fulfill the following cumulative conditions:

- a) the quantity, price and validity period of the order;
- b) the existence on the margin account of an available amount equal to or greater than the amount of collateral required in the event of the order being traded, as provided for in this Procedure and in the Counterparty's Regulations.

(2) For the calculation of the collateral required in case of order trading, BRM sets a level of variation of the price of the order entered during a trading session, calculated in relation to the daily settlement price of the previous day, calculated in accordance with the Counterparty Rules, corrected in case of high volatility with the variation during the trading session. For clarity BRM will take into account at the time of placing an order the required collateral consisting of Initial Margin and Variation Margin.

(3) The BRM will calculate the collateral required prior to accepting an order for trading, based on the level of price variation referred to in paragraph 2 above, in accordance with the calculation algorithm set out in the Counterparty Regulations.

(4) The Counterparty may require additional collateral prior to accepting an order for trading, following an assessment by the risk department of the Counterparty, if according to the trading history of the relevant Participant, the order deviates significantly from the previous trading profile, which implicitly makes it impossible to predict the financial ability of the relevant Participant to execute the transaction resulting from the order.

(5) The elements to be entered by the participant at the launch of the offer are :

- a) the meaning of the offer (sale / purchase);
- b) minimum volume of natural gas: the minimum volume is 1 contract of 1 MWh/day multiplied by the number of days of the tradable interval. The total minimum tradable volume is automatically defined for each individual product;
- c) the price for products will be expressed in Lei/MWh, positive number, with maximum 2 (two) decimal places;
- d) the validity date of the order (optional); if not filled in, the system will automatically generate the end date of the trading session.

(6) Orders placed may be maintained by brokers as follows:

- i. price change;
- ii. change the quantity;
- iii. modification of the validity of the order.

II. CORRELATION OF ORDERS

Art. 8. (1) Buy and sell orders will be automatically sorted in the trading system so that the best bids in terms of price are displayed first. In the event of a price tie, bids will be sorted by timestamp, with the oldest bids being displayed first.

(2) For sell orders, the sell order shall be matched with a buy order at the same or better price for the maximum quantity determined by the competition of the quantities indicated in the two orders in opposite directions at the price of the sell order.

(3) For buy orders, the buy order shall be matched with a sell order with the same or a better price, for the maximum quantity determined by the competition of the quantities mentioned in the two orders in the opposite direction, at the price of the buy order.

(4) Where the transaction has been carried out only in respect of a part of the quantity indicated in an order, that order shall be maintained in the trading system for the remaining quantity.

(5) Transactions concluded through the counterparty mechanism shall be notified to the OTS by the Clearing House / BRM as counterparty, as the case may be.

III. TRANSACTION REPORT

Art. 9.

(1) At the end of each trading session, the trading system shall generate a report containing the following elements:

- a) the name of the standardized product;
- b) the quantity of natural gas subject to the transaction;
- c) prices offered;
- d) changes in quantities and prices during the trading session (order status) with the associated timestamp;
- e) the transaction(s) concluded during the session, indicating the quantity, price and participants in the transaction(s) concluded.

(2) The results of the trading session shall be published on the BRM website, according to the provisions of the "Regulation on the organized framework for trading on the centralized natural gas markets administered by the Romanian Commodities Exchange (Bursa Română de Mărfuri) S.A.".

(3) After the end of a trading session, participants shall have access, via the trading system of the BRM, to the confirmations of their transactions.

(4) The transaction report shall be sent to the brokers participating in the trading session in electronic format.

(5) The trading system shall record and archive all bids entered, including their lifecycle, the transactions executed and the reports generated, for a period of up to 5 years, during which they may be accessed by the participants to which they relate.

THE CLEARING PROCESS

Art. 10.

- (1) Clearing/clearing shall be carried out in accordance with the Counterparty Regulations.
- (2) Without prejudice to the role of the Clearing House/Counterparty, the transactions carried out shall determine the firm obligations of the Participant to deliver/ deliver the natural gas in full compliance with the characteristics of the products traded under this Procedure.
- (3) All transactions accepted by the Clearing House/Counterparty will be continuously maintained in the counterparty and trading system until the final execution of the terms and conditions set by the transaction, according to the Counterparty Regulations.
- (4) All rights and obligations arising out of the transaction shall be fully respected by the participants party to the transaction.

GUARANTEEING OBLIGATIONS

Art. 11.

(1) The execution and collateralization of transactions carried out under the conditions of use of a Clearing House/C Counterparty shall be carried out in accordance with the Counterparty Regulations. In order to be able to benefit from the clearing house/counterparty trading services, participants must sign the Clearing House/Counterparty Services Framework Agreement, which implies the cumulative fulfillment of the following conditions:

- meet the requirements set by the Clearing House/C Counterparty through the Counterparty Regulations;
- to hold a valid license issued by ANRE to market natural gas and/or to meet the conditions set out in Art. 4 para. 1 of this Procedure;
- provide the collateral required by the Clearing House/C Counterparty;

(2) Collateral is calculated according to the algorithms set by the Clearing House/C Counterparty and is intended to support each transaction of a participant.

(3) The Clearing House/Counterparty is not responsible for the deliveries / takeovers of traded natural gas quantities, nor for the imbalances generated by them. Imbalance situations shall be managed by the TSO in accordance with the provisions of the Network Code for the National Natural Gas Transmission System approved by Order of the President of ANRE No. 16 / 2013, as amended and supplemented.

(4) The notifications, default states by the transaction participants, as well as all information necessary to ensure the whole process are agreed between the BRM, the Clearing House/C Counterparty and the OTS on the basis of specific protocols/agreements.

RISK MANAGEMENT

Art. 12.

Trading of natural gas with associated clearing services through the Clearing House/ Counterparty entails the following categories of risks, treated as follows:

(a) Financial risk - occurs when a member fails to meet its obligation to post collateral on time or breaches settlement rules. In such a case, the Clearing House/C Counterparty will suspend services and start to mobilize available collateral in accordance with the specific rules. Entitlements can only be reinstated after the Participant in question has fully discharged its obligation or in accordance with the sanctions imposed by the Counterparty's Rules.

(b) Physical, total and/or partial non-delivery risk - occurs when:

- the selling participant loses its access to the PVT and/or does not deliver the traded quantity of natural gas under the agreed conditions, as the Clearing House/Counterparty can no longer make the notification in the PVT to the selling participant;

- the Selling Participant does not deliver the traded quantity of natural gas under the agreed conditions for other reasons, in which case the Clearing House/Counterparty can no longer notify the Selling Participant in the PVT.

In such cases, the Clearing House/Counterparty will not guarantee the physical delivery, but will maintain the PVT notification(s) to the Buying Participant and will retain the collateral of the Selling Participant to initiate a process to replace the positions related to the undelivered volumes and notify the OTS of such replacement.

(c) The risk of total and/or partial physical non-takeover - occurs when:

- the Buying Participant loses its access to the PVT and/or does not take delivery of the traded quantity of natural gas under the agreed conditions, in which case the Clearing House/Counterparty can no longer make the notification in the PVT to the Buying Participant;

- the Buying Participant does not take over the traded quantity of natural gas under the agreed conditions for other reasons.

In such cases, the Clearing House/Counterparty will not guarantee the physical non-collection, but will maintain the PVT notification(s) to the Selling Participant and will retain the collateral of the Buying Participant to initiate a process to replace the positions related to the non-collected volumes and will notify the OTS of such replacement.

(d) The failure of the process of replacing the positions related to the volumes not taken up/delivered, resulting in imbalances established by the OTS, shall not result in the withdrawal of the notification in the PVT.

(e) PVT Notification Risk refers to the situation in which the Clearing House/Counterparty fails to make, or erroneously makes, the PVT notification(s) related to a transaction for any of the Participants. In this case, the Clearing House/Counterparty will financially compensate the amount of the imbalance caused to the respective Participants.

FEES AND CHARGES

Art. 13.

(1) For the activities and services provided, the BRM shall be entitled to charge centralized market participants fees and commissions as follows:

- a) annual registration and maintenance fee;
- b) commission for trading on the futures market on a counterparty basis, applied only to participants - party to the transaction;
- c) administration fee (clearing-settlement) of the counterparty regime.

(2) If the obligations referred to in paragraph (1) are not fulfilled by the due date, the BRM shall have the right to suspend the participant's access to trading sessions until the obligations have been met.

Art. 14.

The fees and charges levied as operator of the centralized natural gas market are established on the basis of the decision of the BRM's Board of Directors and are published on the BRM's website. BRM is obliged to inform Participants about the establishment and/or modification of the fees and charges at least 30 calendar days before the new fees/charges enter into force.

THE PROCEDURE FOR LODGING, ADMINISTERING AND SETTLING APPEALS

Art. 15.

The interested party may lodge an objection under the conditions laid down in the Market Conduct Procedure. The lodging of a challenge does not affect the right of the Clearing House/Counterparty/BRM to take any action provided for in the Counterparty Rules pending resolution.

PUBLISH

Art. 16.

For transactions concluded in the standardized products market on the Medium and Long-Term Products Market, BRM will publish the following information on its own website daily at the end of the trading period:

1. the volumes traded and the number of transactions concluded - for each individual product;
2. the minimum trading price of the day - for each individual product;
3. maximum trading price of the day - for each individual product;
4. average price of the trading day - for each individual product, calculated as a weighted average of the day's transactions;
5. the updated average price - on a product-by-product basis - for tradable products within a wider time frame, calculated as a weighted average of all transactions from the beginning of the trading day of the product concerned to the end of the trading day;
6. the change in the updated average price compared to the previous day's average/updated price - for each individual product;
7. closing price of the trading day - the last trading price recorded at the close of the market for each product;
8. the change in the day's closing price from the previous day's closing price - for each individual product;
9. the number of registered market participants who have submitted at least one bid or offer on the market, irrespective of the bid or offer's direction - buy or sell.

Art. 17. BRM shall submit monthly to ANRE detailed information on each transaction concluded on the centralized natural gas market in each trading session by the 10th of the current month for the previous month, at the latest, in accordance with ANRE's regulations.

Art.18.

(1) BRM reserves the right to amend and/or supplement this procedure, subject to the public consultation process in accordance with ANRE regulations. The only version that may be opposed by BRM is the one posted on its website.

(2) The Annex forms an integral part of this procedure.

ANNEX
to the procedure

A. TRADABLE STANDARDIZED PRODUCTS

PRODUCT NAME	CODING
1. WEEK /BRM_GAS_PHFV	Gas Forward CCP W_ss-aaaa (ss from 01 to 53)
2. MONTH / BRM_GAS_PHFV	Gas Forward CCP M_month-yyyy (name of the respective month)
3. QUARTER / BRM_GAS_PHFQ	Gas Forward CCP Q_Qn-yyyy (No 1 to 4)
4. FIRST SEMESTER /BRM_GAS_PHFS1	Gas Forward CCP GS_S1-aaaa
5. SECOND SEMESTER / BRM_GAS_PHFS	Gas Forward CCP GS_S2-aaaa
6. COLD SEASON/BRM_GAS_PHFCS	Gas Forward CCP GN_CS - yyyy
7. WARM SEASON/ BRM_GAS_PHFWS	Gas Forward CCP GN_WS - yyyy
8. GAS YEAR / BRM_GAS_PHFGY	Gas Forward CCP GY-aaaa
9. CALENDAR YEAR /BRM_GAS_PHFY	Gas Forward CCP Y - yyyy