

**Clearing, settlement regulation  
and risk management**

***of the Romanian Stock Exchange***

**as**

***Central Counterparty***

**applicable from 05.09**

**2024**

## **CHAPTER I - GENERAL PROVISIONS**

### **Article 1 - Purpose of this Regulation**

1. This Regulation provides for the performance of the Services by BRM, for the obligations assumed by the CM under the Contracts.
2. As Central Counterparty, BRM:
  - (i) Guarantees that CMs holding registered Positions comply with the financial obligations related to those Positions from the moment of registration until their closure;
  - (ii) It simultaneously assumes the capacity of buyer to the seller and the capacity of seller to the buyer in the Transactions through a legal transaction of novation.
3. This Regulation is issued in accordance with the provisions of ANRE's Presidential Order no. 105/2018 for the approval of the General Rules on the centralized natural gas markets, as subsequently amended and supplemented, of the Regulation on the organized framework for trading of standardized products on the centralized natural gas markets administered by the company Bursa Română De Mărfuri (Romanian Commodities Exchange) S.A., approved by ANRE President's Order no. 223/2018, as subsequently amended and supplemented, and the Procedure for trading on the centralized natural gas markets administered by Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A., under the conditions of using a clearing house/counterparty.

### **Article 2 - Definitions and interpretation**

1. Unless the context requires otherwise, the following capitalized terms and expressions used in this Regulation shall be defined as follows:
  - (i) CM Acceptance Agreement - a written contract in accordance with the provisions of the Regulation, concluded between the BRM and a CM, whereby both Parties accept the provisions of this Regulation;
  - (ii) Active Support - natural gas transported in the OTS transmission system;
  - (iii) ANRE - the National Energy Regulatory Authority;
  - (iv) Margin Call - the amount that the CM is obliged to deposit on the Account in order to increase the value of the Account balance at least up to the amount of the Risk Limit;
  - (v) BRM - Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A., having its registered office in Bucharest, Str. Buzești nr. 82-94, 7th floor, Sector 1, Reg. Com. J40/19450/1992, CIF RO1562694;
  - (vi) Cascading - a mechanism that ensures splitting a Contract with delivery periods longer than one month and replacing the initial Position with Positions in sets of Contracts with relatively shorter maturity (3 months for the quarter, the first 3 months and 1 quarter for the season/quarter and the first 3 and last 3 quarters for the year) summing exactly the quantity of the Underlying Asset in the initial Contract and keeping exactly the price of the Transactions in the initial Contract. The procedure replaces the Initial Position, generating new Positions with shorter maturities;

- (vii) Contract - means a standard type of contract in dematerialized form of the Forward type available on the Market and accepted under these Rules in order to benefit from the Services. References to a Contract shall refer to all Contracts of the same type entered into under the Transactions;
- (viii) Account - a technical account, opened, allocated and managed by BRM for each CM, through which BRM keeps track of the Guarantees, rights and obligations of the CMs on the basis of the Services they benefit from;
- (ix) Cash account - bank account opened by each CB and over which the BRM has direct debit rights;
- (x) Central Counterparty - the role assumed by the BRM by which it interposes itself through a novation process in a Transaction, becoming common buyer for sellers and common seller for buyers, in relation to the Positions registered in the Clearing Platform;
- (xi) Guarantee Fund - a common fund in which the individual contributions of the CM and BRMs are collected, which ensures the resources necessary for the proper functioning of the mechanism for the clearing and settlement of Transactions in the event of default by the CM;
- (xii) Forward - a forward contract that settles a Transaction to deliver the Underlying Asset, in a specified quantity, in a predefined Delivery Period, at a price fixed at the time of the Transaction;
- (xiii) Guarantee - Bank Guarantee Letter and/or Escrow Account in accordance with *Instruction 1 on Guarantees to cover financial risks*, part of this Regulation, used by the CM to cover financial risks vis-à-vis the BRM, including but not limited to Margins;
- (xiv) Position Substitution - a mechanism whereby the BRM intervenes in the event of a CM's failure to comply with the Risk Limit and Margin Call and/or non-delivery/non-payment of natural gas by a CM, by transferring the position of the offending CM through trading on the short and/or medium and long-term markets managed by the BRM
- (xv) Instruction - set of specific rules issued by BRM for the application of the provisions of this Regulation, being an integral part of this Regulation;
- (xvi) Risk Limit - The margin required calculated by the BRM to cover the exposure of all Positions;
- (xvii) Margin - A method of recording collateral blocked on an MC's account, a technical account managed by the BRM, in order to ensure risk management at Counterparty level.
- (xviii) Physical Delivery Margin - The margin required to cover the financial risk related to the cost of replacement by the Counterparty of open Positions related to Contracts entered into the Delivery Period and in relation to the financial risk of non-delivery/non-payment of the Underlying Asset under the Contract;
- (xix) Variation Margin - Margin necessary to cover the risk of Positions linked to the daily evolution of the Market, as a result of the variation of the Daily Settlement Price;

- (xx) Initial Margin - Margin required to register a Transaction for each Contract, to cover the risk resulting from the Open Positions related to that Transaction;
- (xxi) CM - Clearing Member - an entity that meets the admission requirements set by the BRM and has signed the CM Acceptance Agreement, whereby it is authorized by the BRM to benefit from the Services and simultaneously acts as a participant on the Market;
- (xxii) Market Operator - BRM, as Market Operator;
- (xxiii) OTS - Transmission and System Operator, respectively SNTGN Transgaz SA;
- (xxiv) Delivery Period - is the period during which the Underlying Asset must be physically delivered by a seller to a buyer under a Contract;
- (xxv) Market - Medium and long-term standardized products market, through the electronic trading platforms managed by Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A., as a licensed operator in the management of the centralized natural gas markets. The market includes all the transactions on the Clearing market and the transactions assigned to the Central Counterparty according to the rules applicable to the Main Market.
- (xxvi) Main market - the electronic platform administered by BRM in accordance with the *"Procedure for the organization and functioning of the medium and long-term standardized products market administered by the Romanian Commodities Exchange (Bursa Română de Mărfuri) S.A."*.
- (xxvii) Clearing Market - The electronic platform managed by BRM in accordance with *the "Procedure for trading on the centralized natural gas medium and long term markets managed by Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A. under the conditions of using a Clearing House/Counterparty"*.
- (xxviii) Clearing Platform - the computerized system allowing the registration of Transactions, as well as the clearing and closing of Positions and other obligations, managed by BRM, as well as the communication network allowing the interaction between BRM, BRM as Market Operator and the CM;
- (xxix) Position - the set of rights and obligations attached to a Transaction registered on the Clearing Platform;
- (xxx) Daily Settlement Price - price defined by the BRM established by specific Instruction, based on the prices of the Underlying Asset recorded in the markets administered by the BRM;
- (xxxi) Daily Schedule - a step-by-step way of carrying out a Day, including deadlines for fulfilling various obligations, established by the BRM by specific Instruction;
- (xxxii) Regulation - This Regulation which governs the performance of the Services by the BRM as Central Counterparty, as well as the obligations undertaken by the CM in relation to these Services;
- (xxxiii) Authorized Representative - a natural person appointed to represent with full authority a CM in relation with BRM for the purpose of the Services;

- (xxxiv) Services - means a service or a set of services offered by the BRM in accordance with the Regulation. These services may include trade registration, collateral management, risk management, clearing and settlement and various combinations of BRM obligations;
- (xxxv) Daily Account Structure - analytical statement of the Account provided to the CM by the BRM, including the balance, Risk Limit, available Transactions/Available Margin Call, Available Cash, Fees;
- (xxxvi) Fees and commissions - the amount charged by BRM for the provision of the Services. The list of Fees and Commissions is set out in the BRM Instruction;
- (xxxvii) Transaction - a sale or purchase of the Underlying Asset on the basis of a Contract that gives rise to a Position, after registration on the Clearing Platform;
- (xxxviii) Website - [www.brm.ro](http://www.brm.ro);
- (xxxix) Day - represents a day on which the Services are available.

2. In this Regulation:

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

**Article 3 - Contracts admitted to the clearing settlement system**

1. MC will be able to benefit from the Services in relation to the following Contracts concluded on the Market:

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

3. QUARTER / BRM_GAS_PHFQ	BRMQ_Qn-aaaa (No 1 to 4)
4. FIRST SEMESTER /BRM_GAS_PHFS1	BRMGS_S1-yyyy
5. SECOND SEMESTER / BRM_GAS_PHFS	BRMGS_S2-yyyy
6. COLD SEASON/BRM_GAS_PHFCS	BRMGN_CS - yyyy
7. WARM SEASON/ BRM_GAS_PHFWS	BRMGN_WS - yyyy

8. GAS YEAR / BRM_GAS_PHFGY	BRMGY-aaaa
9. CALENDAR YEAR /BRM_GAS_PHFGY	BRMY - aaaa

2. Quarter, semester, gas season, gas year, gas year and calendar year contracts are cascaded into quarterly or monthly contracts, as appropriate, a process which leads to the possibility of retranslation of Open Positions that have not matured.
3. Contracts will be concluded when the supply and demand of CMs are matched on the Market, without the need to conclude a physical sale-purchase contract. The terms and conditions governing the Contracts shall be those laid down in the standard products approved by ANRE for the Market, and the financial settlement and guarantee of MC services shall be made in accordance with this Regulation.
4. All Contracts listed in this Article have the following characteristics:
  - physical delivery in constant daily profile of 1 MWh/day or multiples thereof
  - physical delivery in "PVT", according to ANRE regulations
  - unchangeable standard delivery period, as per transaction
5. The procedure for determining the total volume in MWh to be delivered/taken for the Contracts concluded on the Market is as follows:  
  
Volume for 1 Contract = 1MWh/day \* no. of delivery days in the delivery period  
  
Volume for "x" Contracts = "x" MWh/day\* no. of delivery days for the delivery period  
  
*Where "x" = the number of MWh to be delivered/picked up each day of the delivery period and "x" is a multiple of 1*

## **CHAPTER II - ADMISSION OF MC INTO THE CLEARING - SETTLEMENT SYSTEM**

### **Article 4 - General conditions for admission of CTMs**

1. In order to be eligible for the Services, the CTM must fulfill, at the time of admission and/or throughout the duration of the CTM's status, as the case may be, the following conditions:
  - (i) Market participant status;
  - (ii) Signing the Acceptance Agreement of the CM;
  - (iii) Participation in the Guarantee Fund;
  - (iv) The existence of minimum technical and human resources necessary to fulfill the obligations of this Regulation;

- (v) Payment of the Clearing Membership Fee.
2. The MC's application file for services will include:
- (i) copy of the constituent act of the CM;
  - (ii) proof of the provision of Guarantees, payment of the Clearing Member Fee and payment of contributions to the Guarantee Fund;
  - (iii) MC Acceptance Agreement signed.
  - (iv) the letter of appointment of the Authorized Representative.

### **CHAPTER III - MC RIGHTS AND OBLIGATIONS**

#### **Article 5 - CTM rights**

1. MC will have the following rights:
- (i) To acquire the quality of counterparty of the BRM for registered Transactions;
  - (ii) Take part in the following operations:
    - a) Clearing/decompensating Positions;
    - b) Collateral Administration;
    - c) Closing Positions.
  - (iii) To obtain information in relation to the management of their Positions and their obligations to BRM. To have access every Day to complete information on the daily situation of his Account managed by BRM based on the report provided by BRM.
  - (iv) To benefit from the clearing/settlement and risk management mechanism for the positions taken through the capacity of Central Counterparty of the BRM acting in order to eliminate the financial risks associated with the CM transactions by establishing an appropriate management framework based on this Regulation.
  - (v) To ascertain and request the BRM to rectify any errors on the Account statement issued by the BRM and/or the settlement statement on the Escrow account for an MC within 24 hours of receiving the daily report and/or the settlement event reported. The BRM's deadline for resolution is 72 hours from the receipt of the referral and appropriate adjustment by the BRM, if applicable.
  - (vi) To unilaterally terminate the CTM Acceptance Agreement, and thus the CTM status, with 30 days' notice.
2. MC will have the following obligations:
- (i) To constitute Guarantees, according to this Regulation;
  - (ii) To meet its financial obligations, including the payment of the negative balance arising from Registered Positions and the payment of Fees and Commissions related to the Services;

- (iii) Respond to the Margin Call immediately, but no later than the beginning of the following Day, by depositing the amount of the Margin Call into the Margin Call Cash Account. The BRM will debit the amount of the Margin Call from the Margin Call Account by direct debit.
  - (iv) Follow appropriate standards of conduct in their work, namely:
    - a) meet the highest standards of diligence, integrity and transparency;
    - b) act to the highest standard of professional competence;
    - c) shall refrain from any action or conduct likely to jeopardize the proper functioning, transparency and credibility of the activity carried out on the Market and by BRM in accordance with this Regulation;
    - d) shall immediately report any particular situation they encounter which causes or could cause a disturbance in the clearing-dissemination mechanism of that CM;
    - e) ensure that they have access at all times to sufficient financial resources to cover future obligations that may arise from the Transactions.
  - (v) To hold technical records of Transactions in a correct, complete and up to date manner and to allow the BRM access to these records on request and to the CM's audited financial statements;
  - (vi) To cooperate with the BRM in connection with the request for information on the economic and financial situation, within 10 Days of the request; The request for information from the BRM is strictly related to the assessment of the financial soundness of a CM for the purpose of the annual or periodic assessment carried out by the BRM for the determination of the financial soundness of the CM.
  - (vii) Immediately report any situation which comes to the attention of the CM and which may constitute a breach of these Rules;
  - (viii) Ensure that any obligations, payments, Guarantees or arrangements in connection with being a CTM are not and will not be in any way dependent upon or connected with any other contract, concluded or to be concluded, are not encumbered by any encumbrance and that no third party may claim any rights in respect thereof;
  - (ix) To ensure the fulfillment of all obligations under this Regulation.
3. CMs shall act exclusively in their own name. Suspension or exclusion of the CTM shall not result in the CTM being released from its obligations towards the BRM.

## **CHAPTER IV - OPERATIONAL ASPECTS**

### **Article 6 - MC account**

1. The obligations assumed by the CM arise as a result of the registration of Transactions.
2. In order to register Trades, CMs will open an Account where Trades will be registered.
3. BRM assumes the role of Central Counterparty for trades concluded on the Market from the moment a Trade is registered on the Clearing Platform. These are instantly registered on the



Clearing Platform. In the case of Transactions originating from the Main Market, the moment of registration on the Clearing Platform is subsequent to the moment of the execution of the Transaction, depending on the transfer of the Transaction by a CM to BRM.

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 funds, Transactions executed by the respective MC, as well as on the Market Marking, which affects the Account Balance even if the respective MC has not executed any Transactions on that day, if it holds Positions.
  - (ii) The Open Positions, which represent the difference between the number of contracts bought and sold, are calculated on each Contract and the risk covered by the Single Margin per Contract is calculated on the basis of these Open Positions.
  - (iii) The total number of Positions, relating to Transactions concluded either as buyer or seller, on the basis of which the risk covered by the Variation Margin is calculated.
  - (iv) The number of Positions entered in the Delivery Period, relating to Transactions entered into either as buyer or seller and maturing under the related Contract, on the basis of which the risk covered by the Delivery Margin is calculated.

#### **Article 7 - Positions**

1. In order to calculate the exposure for each MC, each Transaction is recorded in the Accounts of both MCs party to that Transaction, according to the Position each holds in the Contract (buyer or seller). In the event that a Transaction is sold by a CM on the Main Market, the BRM will take over the Position in its own name for the non-CM Transaction Participant, opening a dedicated technical risk book account for this purpose at the Central Counterparty level.
2. For each CM, the number of Positions and the financial exposure shall be calculated on a daily basis, separately for each type of Contract, and recorded separately on the buy and sell side. The difference between the number of Transactions concluded as a buyer and the number of Transactions concluded as a seller under the same Contract represents the number of open Positions on that Day.
3. Until the entry into the Delivery Period of the Contract for which a Position is open or the closing of a Position, they will be recorded as financially open. An open Position may be closed by offsetting, prior to the entry of the Delivery Period, by recording a Trade in the opposite direction with the same quantity of the Underlying Asset, at the same Trade price and for the same Contract.
4. Positions will be closed by offsetting only from a financial point of view, they remain physically open. Positions will only be physically closed by physical delivery of the Underlying Asset, i.e. settlement.
5. The BRM may cancel a Position on its own initiative with prior notice to the CM when:
  - (i) Such a Position results from a technical problem or manifest error, in particular in a situation where a Transaction has been executed at a price which is clearly outside the Market price;

- (ii) According to its own reasonable decision, in a justified manner and by providing the CM with supporting evidence, to the extent that it considers that the Position has been opened in breach of the obligations in this Regulation relating to conduct of business or at the request of the OTS or the authorities. This decision will be taken in particular in situations of violation of the provisions of Regulation (EU) No 1.227/2011 of the European Parliament and of the Council of October 25, 2011 on Wholesale Energy Market Integrity and Transparency (REMIT), referred to in Article 6 of the Regulation on the establishment, notification and sanctioning of breaches of the regulations issued in the energy sector, approved by ANRE Order No. 62/2013, as amended. An indicative guide of situations constituting such violations can be consulted 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. BRM will immediately inform the CMs concerned by the cancellation of the Positions.

### **Article 8 - Financial Clearing of Transactions, Financial Settlement and Settlement of Physical Transactions**

1. The Clearing of Transactions is executed on a daily basis, on the basis of the records kept by the BRM on each MC, according to the Positions held by them. Clearing leads to the financial closing of the Positions for the purpose of adjusting the Margins accordingly. The physical netting of the Positions is not carried out, as they will be physically closed exclusively by the delivery/takeover of the Underlying Asset according to the relevant Contract.
2. The settlement of the price payments according to the Transactions is executed in the Delivery Period, on the basis of the records kept by BRM on each MC, according to the Transactions concluded by them, for each type of Contract. Settlement is performed on a Daily basis, and the invoice related to the settlement is issued monthly.
  - a) Nomination to the OTS will be made on the basis of the Transactions recorded, regardless of the financial close of the Positions related to them. The responsibility for physical delivery transactions and imbalances recorded against the OTS is the responsibility of the CM. BRM does not assume any liability whatsoever in relation to potential imbalances registered vis-à-vis the OTS as a result of the non-delivery or non-delivery of the Underlying Asset caused by the respective CM. The risk of physical, total and/or partial non-delivery occurs when the Participant fails to deliver the traded quantity of natural gas under the conditions set.

In this case, the Central Counterparty does not guarantee the physical non-delivery, but retains the seller's collateral in order to be able to manage the so-called "replacement risk" of the non-delivered gas.

- b) If, after the transaction is executed, the seller fails to honor its delivery obligation (in whole or in part), the Central Counterparty will initiate a process of Position Replacement for the undelivered volumes and will bear any price difference, in accordance with the provisions of the BRM Clearing, Settlement and Risk Management Rules.
- c) In the event that, after the execution of the transaction, the buyer does not honor its obligation to take over (in whole or in part) the volume of natural gas that was the subject of the transaction, the Central Counterparty will initiate a process of replacement of the Positions related to the volumes not taken over and will bear any price difference, in accordance with the provisions of the BRM's Clearing, Settlement and Risk Management Rules.

## **Article 9 - Marking to market**

Mark-to-market is the updating, on the basis of the Daily Settlement Price, at the close of the Day, of the exposure on the Transactions, with the favorable/unfavorable differences resulting from the revaluation at the Daily Settlement Price level of the Transactions of the current Day and/or previous Days. The favorable/unfavorable differences per Contract result from multiplying the difference between the price of each Transaction on the Contract in question and the Daily Settlement Price by the quantity of the Underlying Asset and by the number of Transactions.

## **Article 10 - Margins**

1. Margins are due as a result of the obligations undertaken by the CM vis-à-vis the BRM, including the opening of Positions, and are intended to cover the BRM's risk in the event that the obligations derived from those Positions are not met.
2. Margins are of the following types:
  - (i) Margin Initial;
  - (ii) Variation Margin ;
  - (iii) Physical Delivery Margin.
3. Margins are covered by means of Guarantees given by the CM in favor of BRM.
4. Margins shall be netted, in accordance with the criteria set out in this Regulation, in order to adjust the Guarantees to the CM's transactional risk.

## **Article 11 - Initial Margin and its Offsetting**

1. The reference value of the Initial Margin on each Contract is set by the BRM on statistical criteria according to the risk and volatility of the price of each Contract and has a fixed value in RON. This value is calculated and published by the BRM for each Contract, and is recalculated and published monthly. In cases of high volatility or significant price changes, the value will be recalculated on a weekly basis. The values of the Initial Margin are communicated through Instructions.
2. Initial Margin is automatically withheld at the time a trading order is launched on the Market until the order is executed or canceled.
3. If the order is executed, resulting in a Trade, Initial Margin is maintained for as long as there are open Positions on a Contract, and then for the entire Delivery Period of the Contract.
4. For each CM, the offsetting between the Positions of opposite direction will be carried out 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 Initial Margin Reference Amount applicable to the Contract in question.
6. The Initial Margin on one type of Contract shall not be offset against the Initial Margin on another type of Contract.

7. BRM will calculate, for each individual Account, the cumulative Initial Margin as the sum of the Initial Margins.
8. If the number of open Positions on a Contract is zero (0) or if there are no Transactions related to a Contract, the Initial Margin will not be calculated, its value being by default 0 (zero).
9. The Initial Margin is offset against the Variation Margin for each Contract.

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

1. The Variation Margin is calculated only for the period between the Day on which a Transaction is recorded in the Clearing Platform and the Day preceding the Delivery Period. Two (2) Days before the start of the Delivery Period, the effect of the Variation Margin on the Account balance is canceled. If the Variation Margin has a negative value, its value will be cumulated with the Physical Delivery Margin.
2. At the level of each Contract, a Daily Marking to Market will be performed for each Trade concluded by comparing the price of each Trade with the Daily Settlement Price, resulting in a positive or negative exposure, depending on the meaning of the Trade (buy or sell) and the positive or negative difference of the Trade price compared to the Daily Settlement Price. Mark to Market will be carried out for all Transactions registered on a Contract regardless of the number of open Positions on that Contract.
3. The exposure calculated according to para. 2 for each Transaction shall be multiplied by the quantity of the Underlying Asset traded under that Contract, for each of the recorded Transactions.
4. In order to determine the Variation Margin per Contract, the algebraic sum of the values recorded for each Transaction related to that Contract shall be calculated in accordance with paragraph. 3.
5. If the Variation Margin per Contract is positive, it will be offset against the Initial Margin per Contract, without their algebraic sum being allowed to increase above zero (0).

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

1. Physical Delivery Margin is calculated and applied two (2) Days prior to the start of the Delivery Period. It shall be maintained throughout the Delivery Period and shall be released progressively during the Delivery Period as risk mitigation is progressively implemented in accordance with the specific BRM Instruction.
2. The Physical Delivery Margin shall be calculated by multiplying the Initial Margin Reference Value applicable at the time of the calculation for the Contract in question by a risk multiplier equal to two (2) for the Open Positions entered in the Delivery Period on the Contract in question and by the total number of Open Positions related to the Contract in question.
3. The Physical Delivery Margins do not offset each other for Contracts with overlapping Delivery Periods (Week and Month) regardless of the opposite open Positions on the respective Contract.
4. The cumulative Physical Delivery Margin is calculated as the sum of the Physical Delivery Margins on each Contract.

5. The bookkeeping of the Physical Delivery Margin per Contract and cumulative is made separately within the MC Account.
6. The Physical Delivery Margin and the cumulative Physical Delivery Margin shall not be offset against the Variation Margin.

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

In order to register a Transaction in the Account, it is mandatory that the balance of the Account is sufficient to cover the turnover resulting from the execution of Contracts on the Risk Limit, plus Fees and Commissions related to the execution of the Transaction related to the Contract in question. The elements of the Account will be detailed by Instruction.

- (i) **Account balance** = Total collateral lodged (*where Account balance can be a positive (+) or 0*)
- (ii) **Risk Limit** = cumulative Initial Margin + cumulative Variation Margin + cumulative Delivery Margin
  - i. *waves:*
    1. *Cumulative Initial Margin can be negative (-) or 0*
    2. *The cumulative Variation Margin can be negative (-) or 0 or positive (+), if there are positive Contract Variation Margins they will be adjusted to the maximum level of compensation as per Article 12 in order to calculate the cumulative Variation Margin.*
    3. *Cumulative Physical Delivery Margin can be negative (-) or 0*
  - ii. *If the Risk Limit is negative it will represent a collateral requirement*
- (iii) **Margin Call** = Additional Collateral requirement, i.e.  $(1)+(2) < 0$ . *The Margin Call amount is  $(1)+(2)$ .*
- (iv) **Trading Limit** = situation where Collateral above Risk Limit  $(1)+(2) > 0$ . *The Trading Limit is  $(1) + (2)$*
- (v) **Cash on hand** = the funds in the Account Balance deposited in cash and not blocked in Margin Collateral. *Only exists if  $(1) + (2) > 0$ .*
- (vi) **Fees and charges.**

#### **Article 15 - Liquidity - Transactions/margin calls**

1. During the period between the registration of a Transaction and the Delivery Period, the Variation Margin changes according to the variation of the Daily Settlement Price, affecting the Account balance. BRM aims that during this period the Account balance does not fall below the Risk Limit.
2. In case the amount between the Account balance and the Risk Limit is negative, the LC will be obliged to actually deposit in the Cash Account, by the beginning of the following Day at the latest, an additional amount to supplement the amount of the Account balance at least

up to the amount of the Risk Limit, called Margin Call. The Margin Call amount will be debited by direct debit by BRM.

3. The Trading Limit and the Margin Call is calculated for the entire balance of the MC Account and includes the mark-to-market results of the Positions of all Trades registered in that Account. The Trading Limit and the Margin Call is specified at the end of the Day in the daily trading report provided by BRM to the CM.
4. In the event that an account of an MC registers a Margin Call and the MC does not respond to the Margin Call within the time limit set out in paragraph. (2), the BRM shall have the right to forcibly close the open Positions of the CM in this situation, without further notification.
5. During the existence of the Margin Call, the Clearing Platform will no longer allow the respective CM to enter new Transactions, but only to close open Positions. In order to register new Transactions, the CM will have to respond to the Margin Call or reduce its exposure below the Risk Limit by closing open Positions.
6. The BRM is responsible for the enforcement of the Margin Call. Failure to respond to the Margin Call shall entitle the BRM to suspend the respective CM from the Clearing Settlement System.
7. The Margin call of a CM cannot be covered by the BRM by using Margins posted by other CMs.

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

1. The CM may dispose of the amounts representing the Account Balance, respectively of the Guarantees, in accordance with the provisions of these Rules. The maximum amount that may be withdrawn from the Account is equal to the Cash Available in lei, calculated daily as specified in Article 14 and expressly specified in the Daily Account structure.
2. Transfers shall be made between the accounts specified in the CM Acceptance Agreement.
3. Sending false payment orders or canceling the transfer after the payment orders have been endorsed by the bank of the CM shall lead to the rejection in the future of this way of crediting the account of the respective CM and to its sanctioning according to the provisions of this Regulation.
4. The sending by a CM, in response to a Margin Call, of false payment orders or the cancellation of the transfer carried out, shall result in the suspension of access to the Clearing Platform, accompanied by the forced closure of the Positions covered by the payment order.
5. Positions opened pursuant to Transactions that have been registered on the basis of an unconfirmed replenishment will be forcibly closed by BRM as soon as it is established that the bank transfer has not been effected and the amount in question will be withdrawn from the Account. All the consequences of this action and any liability to third parties shall, in this case, be assumed by the CM concerned.
6. The deposits to and withdrawals from the Account are considered to be made at the moment of confirmation of receipt of the amounts in the Account, i.e. the moment they are sent to the bank. These operations are final, the MC having no right of recourse and BRM having no liability whatsoever for any operations carried out defectively or erroneously. The MC is also entitled to a reassessment in the event of the discovery of errors that have financially affected

the MC's account, both parties being responsible for finding efficient solutions so that the MC and the BRM do not incur unjustified financial losses related to groceries and withdrawals.

7. The MC account is non-interest bearing.
8. If the CMs do not submit the forms for withdrawals and replenishments to the Account by the cut-off times and under the conditions specified in the Daily Schedule, the BRM has the right not to carry out the requested operations on that Day.

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

1. At the end of each Day, each CM has access to confirmation reports and the Daily Account structure which will be provided by BRM by e-mail to the address specified in the CM Acceptance Agreement.
2. The Daily Account Structure will be available and updated even if the CM has not carried out any transactions on that Day, based on the marking to market of the Open Positions held by it, which affect the components of the Account.
3. Objections relating to the Daily Account Structure of a given Day shall be sent to the BRM at the latest by the beginning of the following Day. If no objections are received within this deadline, the data in the Daily Account Structure shall be considered final and shall be binding on the CM in relation to the obligations arising therefrom and the BRM shall be exempt from any liability
4. The Daily Account Structure as well as the other reports provided by the BRM will be established by specific Instruction issued by the BRM.

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

1. The Daily Settlement Price is calculated for each Contract.
2. The Daily Settlement Price is determined by BRM according to specific algorithms. Depending on the liquidity of the Market, the Daily Settlement Price may also be calculated by reference to the other markets administered by BRM, in order to achieve an appropriate calculation of the Underlying Asset price.
3. In situations considered exceptional as specified in the Instruction, if the Daily Settlement Price of a Day varies by more than 10% from the Daily Settlement Price of the previous Day, it will be exceptionally adjusted by the BRM. The method of exceptional adjustment and the method of calculation will be made available to the MC on the BRM website and emailed to the MC on the Day of adjustment. In any case, the price adjusted by the BRM will be within a range of 10% variation from the Daily Settlement Price of the previous Day,
4. The Daily Settlement Price is established by specific Instruction.
5. If a Contract has never been traded on the Market, the Daily Settlement Price shall not be calculated for that Contract, except for Contracts on which Positions are taken from the Cascade process.

### **CHAPTER V - FINANCIAL RESOURCES AVAILABLE TO BRM**

#### **Article 19 - Use of existing resources available to the BRM to cover MC obligations**

1. In the event of default of an MC, the BRM will use all cash resources available to the BRM to cover the MC's obligations, while at the same time reducing these obligations by closing Open Positions. Money resources will be used only after the forced closure of all Open Positions held by the CM.
2. The BRM shall cover the financial obligations defaulted by the CM out of the money resources regulated under this Article.
3. The cash resources to cover the obligations of a CM shall consist of the following and shall be used in this order:
  - (i) Margins submitted by the MC;
  - (ii) Individual CM contribution to the Guarantee Fund;
  - (iii) Other CMs' contributions to the Guarantee Fund
  - (iv) BRM's contribution to the Guarantee Fund, amounting to 2.000.000 EURO.
4. In the case of use of the resources referred to in para. (2) para. (iii) above:
  - (i) each CM whose contribution has been used to cover the obligations of another CM will be notified to reconstitute this contribution to the Guarantee Fund within 10 days of notification. The newly deposited contribution shall not be used to cover the obligations that gave rise to the original use of the Guarantee Fund;
  - (ii) The CM responsible for the non-compliance with the obligation that triggered the use of other CMs' contribution to the Guarantee Fund will be obliged to reimburse the amounts used to cover its obligations within 48 hours and will be automatically suspended from the Clearing Platform. In the event that the CM fails to reimburse the amounts used to cover its obligations within the above-mentioned deadline, its access to the clearing settlement system will be withdrawn and BRM will take all necessary legal steps to recover from the CM the amounts used from the Guarantee Fund.

#### **Article 20 - Guarantee Fund**

1. The Guarantee Fund is set up in accordance with the legal provisions, in order to ensure the resources necessary for the proper functioning of the mechanism for the clearing and settlement of Transactions. The Guarantee Fund is managed by BRM. The BRM may establish the Guarantee Fund at a time subsequent to the launch of the Services.
2. The Guarantee Fund reflects the joint and several liability of the CM. CMs are obliged to participate in the constitution of the financial resources of the Guarantee Fund.
3. The financial resources of the Guarantee Fund are constituted by the contribution of the CM and the BRM, cumulatively. BRM shall contribute to the Guarantee Fund with an initial own contribution of EUR 5,000,000. If the BRM and the CM agree to establish a component of the Guarantee Fund to be constituted by the contribution of the CM, in accordance with the best practice rules of central counterparties operating similar markets, the BRM may propose a CM contribution structure, which will be adopted following consultation with the CM.
4. The Guarantee Fund will not be used to cover Margin Calls or Fees and Charges.



5. A CM's individual contribution to the Guarantee Fund shall be returned to the CM in the event of its definitive withdrawal from the BRM's clearing settlement system, after closing all open Positions and covering all obligations resulting from Transactions.

## **CHAPTER VI - MEASURES IN THE EVENT OF BUSINESS FAILURE**

### **Article 21 - Limits of BRM liability**

1. BRM shall not be liable for any loss suffered by the CM as a result of:
  - (i) Unfavorable market conditions, commercial risk, fortuitous event, force majeure, interruption, suspension or exclusion from trading of a Contract, when they are realized in accordance with the powers of the BRM provided for in this Regulation;
  - (ii) Application of the provisions of this Regulation;
  - (iii) Technical problems, including, without limitation, problems with the supply of electricity or Internet services or other situations beyond the control of BRM that may affect the functionality of the Clearing Platform;
  - (iv) Possible legislative changes or decisions by public authorities that would lead to the interruption of the Services.
2. Without prejudice to the possibility of suspension or exclusion under this Regulation, MCs shall be liable for any damages caused by their breach of the provisions of this Regulation.
3. CMs shall not be entitled, under any circumstances, to refuse to perform their obligations and shall not be able to raise any defenses, set-offs or other similar rights or claims, arising from any legal act, against BRM and/or other CMs.
4. The Guarantees do not necessarily ensure the physical delivery of the Underlying Asset, which is the sole responsibility of the CM, but instead ensure the Replacement of the Position by the Central Counterparty, on the basis of this Regulation.
5. If, in accordance with the rules of the Centralized Market administered by the BRM, a Transaction is cancelled for any reason, the BRM shall withdraw its role as Central Counterparty. The cancellation of a position may occur, only if one of the parties does not have the status of MC, in accordance with the *Procedure for the organization and operation of the medium and long-term standardized products market administered by BRM S.A.* and specifically the *Novation Agreement* and/or in the situations described in Art. 7 para. 5 of this Regulation, as the case may be.
6. For the avoidance of doubt, the limit of BRM's liability for any claims arising out of work carried out under this Regulation, irrespective of their nature or title, shall not exceed the amount of BRM's Contribution to the Guarantee Fund.

### **Article 22 - Non-fulfilment of obligations CTM**

1. If a CM fails to fulfill its financial obligations under the Contracts, the BRM will take control of the Account and will proceed to the forced closure of the Positions in the Account, up to the level of the coverage of the obligations of that CM. The BRM will use the amounts resulting

from the forced closure of the Positions and those existing in the Account to cover the existing obligations.

2. Forced Closure of Positions will be achieved by BRM making Transactions up to the Risk Limit. Transactions will be executed without taking into account price and execution time, BRM's only objective being to return to the Risk Limit. In case the Account balance becomes negative, BRM will forcibly close Positions until the liquidation of all the positions held by the respective MC.
3. The losses incurred by the CM as a result of the forced closure of the Positions held shall be borne entirely by the CM.
4. If the amounts resulting from the forced closure of the Positions, together with the amounts then existing 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 Collateral, BRM being entitled to recover the entire loss suffered in the courts of law, in accordance with common law.

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

1. A breach by a CM of the provisions of the Rules will be incurred where there is a default or a defective or fraudulent performance of its obligations under these Rules, or if there is a situation indicating that the CM is unable, or will be unable in the future, to comply with its obligations to BRM.
2. Without prejudice to the general nature of para. 1, the following shall constitute infringements of the Regulation:
  - (i) the opening of proceedings or the existence of the other proceedings provided for in Law no. 85/2014 on insolvency prevention and insolvency proceedings any situation which, according to the law, determines the general inability of the CM to meet its financial obligations;
  - (ii) any charge, attachment or levy of execution on a significant part of the CTM's assets which would result in its insolvency and/or its state of insolvency;
  - (iii) the failure to deliver the Underlying Asset in accordance with the Contracts.
3. In the event of a breach of the provisions of the Regulation, the BRM may adopt any of the measures described in Article 25 where this is necessary to safeguard the normal functioning of the Clearing and Settlement of positions.

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

Where circumstances so warrant, including unusual price volatility or any other situation affecting the normal functioning of the Services or the Market, BRM may, in addition to other possible actions based on the powers expressly conferred by the Rules, the Market regulations and applicable law:

- (i) Prohibit a CM from registering Transactions, opening Positions or assuming additional responsibilities and increase its risk exposure;
- (ii) Determine to reduce the risk exposure of a CM by closing or opening new Positions;
- (iii) Take control of an MC's account;

- (iv) To determine the setting up or strengthening of the Margins of an MC during the course of a Day;
- (v) Set or define reference prices different from those set out in the Regulation and Instructions;
- (vi) Withhold payments of financial settlements due;
- (vii) Take any measure necessary to protect the integrity, proper functioning, security and transparency of the Services or the Market;
- (viii) Discontinue Services, even if there are open positions.

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

### **Article 25 - Supervision**

1. Without prejudice to the powers granted by the applicable law and the Market Regulations, the BRM shall monitor the normal operation and transparency of the clearing and settlement activity and the obligations of the CM associated therewith, and shall implement the necessary measures to detect and prevent fraudulent or unlawful actions by the CM.
2. BRM shall immediately report to ANRE the aspects or situations that are likely to violate the provisions and principles of applicable laws.

### **Article 26 - Penalties**

1. The BRM may apply the following sanctions in the event of breaches of the Regulation or non-compliance with the obligations of the CM:
  - (i) Warning;
  - (ii) Suspension for up to six (6) months;
  - (iii) Withdrawal of CTM status.
2. The nature and duration of the sanctions will be determined by the BRM depending on the seriousness, repetitive nature, the damage created, the unfair gain gained by the actions committed.
3. The BRM will sanction the CM for failure to fulfill the obligation to physically deliver the Underlying Asset with suspension for a minimum period of 6 months. The actual period of suspension will be determined by the BRM's Board of Directors, depending on the seriousness of the misconduct, on the basis of criteria such as the value of the defaulted transaction, the repeated nature of the misconduct, the corroboration with other misconduct, such as the failure to respond to the Margin Call.
4. In case of suspension of an MC, BRM will prohibit the MC 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 BRM. This Regulation, as well as subsequent amendments and additions, shall be put out 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. These Rules are detailed in BRM Instructions issued in relation to the technical aspects of the processes described in these Rules. The BRM Instructions are binding on the MC at the earliest from the Day of their publication on the Website, as informed by the BRM on the effective date. The Instructions are published on the BRM Website and communicated by email to the MC on the Day of publication on the Website.
3. The rules contained in this Regulation shall be duly supplemented with the provisions of the applicable law as well as with the regulations and procedures governing the functioning of the Market.

## **Opis BRM Instructions detailing the Regulation**

1. Instructions on **Guarantees to cover financial risks**
2. Instructions for setting the **Daily Program**
3. Instructions for setting **Fees and Charges for Services**
4. Instructions for determining **Initial Margin Values**
5. **Physical Delivery Margin** Instructions
6. Instructions on the **Daily Account Structure items and reports provided by the BRM to the CM**
7. **Daily Settlement Price Instructions**