



CLEARING AND SETTLEMENT RULES

Issued by Montenegrin Power Exchange

Version 1.0

02/11/2020

Podgorica, Montenegro

Clearing and Settlement Rules

Article 1

INTRODUCTION

- 1) Unless otherwise specified in a particular market by its rules, these Clearing and Settlement Rules apply to the Clearing and Settlement of Transactions in all BELEN's Markets. Clearing is subject to the Trading Fees set out in the Fee Schedule.
- 2) Only Member is eligible as Counterparties to BELEN in Clearing Transactions and only in BELEN's markets in which the Member has the right to participate.

Article 2

ACCOUNT STRUCTURE

1) Cash Accounts

- a) BELEN will perform Clearing and Settlement activities with following accounts:
 - i) Settlement Accounts; and
 - ii) Deposit Accounts.
- 2) BELEN may lay down more detailed Procedures to determine types of accounts and the method of managing the accounts for the implementation of the Clearing tasks and Cash Settlement.

a) Settlement Account

- i) BELEN shall collect receivables and pays liabilities from Transactions in all BELEN markets through the Transaction Account.
- ii) Member shall be obliged to settle its liabilities arising from Clearing Transactions by paying the applicable Trading Fees and the appropriate amount to purchase Products to the Settlement Account.
- iii) BELEN shall be obliged to pay the total amount of funds to the Member who sold a certain Product. In accordance with the Montenegrin Applicable Regulations, local Members - Residents pay their obligations to BELEN to the account in domestic payment operations, and foreign Members - Non-Residents, to the account in foreign payment transactions of BELEN.

b) Deposit Account

- i) Cash Collaterals shall be kept in the Depository Account and pledged in favour of BELEN for Members who have obligations in accordance with the Membership Agreement and the Trading Rules. The Cash Collaterals are pledged from the moment the funds are paid to BELEN, without need for further action.
- ii) All local Resident Members pay money into one Deposit Account, and foreign Non-Resident Members pay into a foreign currency Deposit Account. BELEN will regularly provide the Member with information on the cash balance in the Deposit Account of that Member. The Member is not authorized to dispose of funds in the Deposit Account
- iii) The Member can authorize BELEN to transfer funds from Deposit Account, if Member is Net Debtor BELEN may transfer funds from the Depository Account to the Transaction Account in order to make a settlement in respect to individual Settlement Day, and if the Member is a Net creditor BELEN may make a settlement for a particular Settlement Day by transferring the appropriate amount of funds from the Transaction Account to the Depository Account. The contents, procedure and method of direct debit to/from

Deposit Account for BELEN's Markets shall be defined in separate agreement on the direct use of Members' deposits

- iv) The money in the Deposit Account may be used to pay the Member's obligation to BELEN arising from the Member's participation, Transactions, trading in any BELEN market or any other contractual or non-contractual obligations related to the Member's participation and activities in to any BELEN market in accordance with the Trading Rules.
- v) BELEN will return to the Member the rest of the Cash Collaterals in case Membership Agreement termination, if funds remain available in the Deposit Account after the settlement of all obligations that the Member has towards BELEN.

Article 3

CLEARING PROCEDURES

1) Transactions concluded on BELEN markets

- a) Transactions concluded on any BELEN's Markets are automatically and obligatorily Subject to Clearing in accordance with the Trading Rules.
- b) Any Transaction on both BELEN Markets which is considered concluded in the name and for the benefit of the Member who has concluded the Transaction, shall be submitted to the Clearing Sector for registration, invoicing, offsetting and settlement.
- c) Members shall be obliged to deliver or off-take the Delivery Amounts. BELEN has no obligations or responsibilities regarding the delivery or off-take of the traded quantity of electricity. Non-delivery or non-off-take shall be settled in accordance with applicable Montenegrin laws, without the responsibility of BELEN. In case of disagreement between the Schedules of BELEN and the Members, BELEN's Schedule has priority as set out in the Market Rules and the Trading Rules.

2) Settlement

- a) BELEN, based on concluded Transactions on BELEN markets, issues an invoice to the Member who is the Buyer and an invoice instruction to the Member who is the Seller. If the Member is a Buyer and a Seller on the same BELEN market on the same day, separate invoice and invoice instructions shall be issued. Invoices and / or invoicing instructions are issued separately to the Trading Member in each BELEN market in which the Member participates.
- b) BELEN issues invoices for Trading and Clearing to the Members on a monthly basis. BELEN shall forward the invoices and invoice instructions to a Member in written form by e-mail to the address stated in the Membership Agreement.
- c) Trading is in EUR on all BELEN Markets.
- d) The invoice falls due the first Banking Day following the day on which invoice was sent to the Member. The Member is obliged to provide the Due Amount to the Settlement Account by 11:00 AM CET on the date of payment
- e) Invoicing instruction, ie. the invoice submitted by the Seller to BELEN is due on the second day after the day of issuing the invoicing instruction if that day is the Banking Day. If that day is not a Banking Day, the invoicing instruction is due on the first following Banking Day. BELEN is obliged to pay the amount from the invoicing instruction to the bank account of the Member no later than the end of the due date. Depending on the type of product that is the subject of trade, invoicing can be done on a daily or monthly basis, which will be determined by the rules of trading in each BELEN market.

- f) In the event that the Member and BELEN have mutual claims on the basis of Transactions performed on one or each BELEN market (e.g. when the Member was a Buyer and Seller of the Product on the same Trading Day), BELEN will issue a Statement of Offsetting (Compensation) and deliver it to the Member in the same way as it submits invoices and billing instructions. Such set-off shall be valid regardless of when and whether the claims are due or not.
- g) If the Member does not pay to BELEN the provided Trading Fee or does not make other payments provided by the Trading Rules on the due date, BELEN has the right to charge Default Interest rate on the principal of such unpaid amounts (increased by applicable VAT and other taxes). Interest rate is calculated from the due date of payment to the settlement date of the debt.

3) Collateral Requirements

- a) Each Member must at its own cost establish and maintain Collateral in accordance with the Trading Rules and these Clearing and Settlement Rules, and ensure that the value of its Collateral posted at all times meets the applicable Collateral Calls.
- b) BELEN shall accept Collateral of one or a combination of the following forms:
 - i) Cash deposited in the Deposit Account on which the lien is based in favour of BELEN
 - ii) Bank Guarantee, payable on first call without objection, accepted by BELEN
- c) The Collaterals which have been deposited by Members are used as collateral for all the obligations of the Member towards BELEN arising from Member's activities on one or all BELEN Markets. Collaterals refer to all contractual or non-contractual obligations which may arise for Members, including payment of due price for Products, Trading Fees, Statutory Interest Rate applicable to monetary obligations, as well as all indemnities owed to BELEN, including those arising from damages or expenses incurred by BELEN because of third parties claims, VAT, customs or cross border capacity. The largest amount of BELEN receivables secured by a lien on Collaterals in cash is the sum of the amount of the Collateral deposited and the amount of outstanding Claims for collateral, at each individual moment.
- d) All costs arising from the realization of the Collateral shall be borne by the Member who deposited the Collateral that has been cashed.
- e) The Member may submit a written request to BELEN, duly signed by the authorized representative of the Member, requesting the return of the Collateral. The request for the return of the Collateral may not exceed the required Collateral of the Member less the current financial obligations of the Member towards BELEN. If the request for return of Collateral exceeds the required Collateral of the Member, BELEN will reject the submitted request.
- f) BELEN requests minimum Collateral Funds from all Members. The required Collateral must be secured before the start of Trading. The application for the Collateral will be determined individually for each Member. BELEN may, inter alia, determine Collateral Requirements for new Members based on anticipated future net purchases.
- g) The amount of Collateral that the Member is obliged to submit to BELEN, BELEN calculates daily for each Settlement Day as follows:

Amount of collateral = (Daily net position * Risk parameter) * Daily factor

 - 'Daily net position' - net long or net short position (expressed in MWh) of the member on the day of calculation;
 - 'Risk parameter' - a multiplier of the risk parameter determined by BELEN and notified to the Members at least two days in advance

- 'Daily factor' - a multiplier representing a certain number of coverage days used to calculate daily collateral.

The Daily Factor and Risk Parameter is determined by BELEN and notified to the Members at least two days in advance. Members are required to submit Collateral to BELEN, in accordance with the Collateral Requirements, no later than 11:00 CET on the next Settlement Day.

- h) BELEN reserves the right at any time to request additional Cash Collateral from the Member due to the risk assessment performed during the Trading Day. Additional Collateral must be paid immediately to the Depository Account.
- i) BELEN is not liable to the Member for losses or lost profits due to exchange rate differences if the Member submits a cash deposit in a currency other than the currency in which the Transaction was concluded. Members confirm that they have duly secured their positions by submitting Cash Insurance to BELEN in order to avoid possible currency risk.
- j) The Member may fulfil its obligation to deliver the necessary Collateral by submitting a Bank Guarantee issued by a bank accepted by BELEN. The bank guarantee must be issued in the form provided by BELEN. The bank guarantee must also contain a clause according to which a partial realization of the bank guarantee is possible.
- k) Before submitting the Bank Guarantee for the purposes of realization of the Collateral referred to in the previous item, the Member must:
 - (1) inform BELEN of the intention to submit a Bank Guarantee on the prescribed form;
 - (2) verify that BELEN accepts the Bank Guarantees of a particular bank and the estimated amount before the final agreement with the bank on the Bank Guarantee.
- l) The beneficiary of the Bank Guarantee is BELEN. The bank guarantee must contain an unconditional, without objection and irrevocable guarantee of the guarantor which ensures the payment of the amount stipulated in the Bank guarantee to BELEN on the first call. Acceptance or rejection of the Bank Guarantee as Collateral is BELEN's discretion.
- m) If the Member has not replaced the Bank Guarantee with another Bank Guarantee or cash within ten (10) days before its expiration, BELEN will automatically reduce the Trading Limit of that Member.
- n) BELEN shall redeem the Bank Guarantee if the Member fails to pay its obligations by the deadlines described in Articles 2 and 3 above. BELEN shall notify the Member that the Bank Guarantee will be cashed.

Article 4

VAT

- 1) VAT shall be applied to all Members registered in Montenegro (residents), to all amounts due as a result of concluded Transactions, Trading Fees, Membership Fees and Annual Membership Fees.
- 2) For Members registered outside of the Montenegro (non-residents), payment of all taxes, VAT included, shall be an obligation of the respective Member in accordance with Applicable Law in the country of registration.

Article 5

1) OBLIGATIONS OF PARTICIPANTS AND BREACH OF OBLIGATIONS

Permanent obligations of the Member in respect of the provision of information

- a) The Member shall notify BELEN in writing as soon as the Member becomes aware of or considers that it is probable that any of the following events will occur:
 - (1) Violation of obligations or Severe breach of obligations in accordance with the Trading Rules, Membership Agreement or disciplinary, criminal or regulatory proceedings in relation to Trading or Clearing involving the Member or its management or employees involved in Clearing with BELEN;
 - (2) any other matter relating to Member, in respect of which the Member, acting in good faith, reasonably expects to be of interest to BELEN in relation to Clearing and its position as Member.
- 2) Any breach of the Clearing and Settlement Rules (including non-payment of amounts due by the Members to BELEN) shall be considered a Breach of Obligations or a Severe Breach of Obligations (as the case may be) as defined in the Trading Rules.
- 3) After the occurrence of the breach, BELEN has the right to issue a written notice to the Member that has violated its obligation to correct the Breach within fifteen (15) calendar days from the issuance of the appropriate written notice.
- 4) Immediately after the occurrence of the Severe Breach of Obligations, BELEN has the right to one or a combination or to all legal remedies as listed below:
 - a) declare that on that day any or all claims of the Member that has violated its obligation under the Trading on any BELEN market are due; and / or
 - b) withhold the amount of the Settlement due to the Member and offset the amounts so denied and the amount due by the Member to BELEN, regardless of the maturity of both amounts; and / or
 - c) exercise, realize and enforce their rights in respect of Collateral submitted by the Member:
 - i. by activating the Bank Guarantee submitted by the Member to BELEN, and / or
 - ii. i/ili collection from the amount on the Depository Account paid by the Member as a Collateral to BELEN; and / or
 - d) in addition to the aforementioned legal instructions and without prejudice to them, BELEN in any case of Severe Breach of Obligations has the possibility to terminate the Membership Agreement.