



Exchange Handbook

Recommendations for
Trading Venues on
Structure and
Regulation.

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Recommendations for Trading Venues on Structure and Regulation.

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Preface

The aim of these Recommendations is to facilitate the adoption of general practices that are accepted and implemented by a large number of regulated markets and other trading venues and to achieve harmonization within FEAS for cross-border trading.

It is agreed among members that the principles proposed herein are to be accepted at will by them and that in those cases where they are not being applied currently, the member(s) will endeavor to work towards their implementation. Although the principles laid down in this document are formulated as normative text, their implementation is voluntary and left entirely at members' discretion.

The Recommendations take under consideration the fact that various differences in the regulatory framework of the FEAS member countries may exist. It is also noted that some trading venues may not be established as membership organizations which ultimately may result in different principles of operation. FEAS members are encouraged to conform with the principles to the maximum possible extent.

General Provisions

Article 1. Scope

These Recommendations shall apply to the activities of the regulated markets and other trading venues accepted as FEAS members by its General Assembly.

Other FEAS members including associate members shall be encouraged to adopt provisions of these Recommendations, if applicable, in order to promote market integrity, efficiency and transparency.

Certain provisions of these Recommendations might not be directly applicable to the activities of some of the members and/or might contradict to the member's local legislation. In such case members shall be encouraged to observe their regulatory requirements and to further explore any opportunities to implement in their own rules those best practices which correspond to the local legislation.

Article 2. Purpose

1. FEAS members shall adhere to the principles of fairness, integrity, competence, authority and supervision by putting in place proper rules and regulations with respect to:

- Providing equal access to the market, for each category of participants;
- Ensuring integrity and sound business ethics and supervision of financial solvency, capital requirements and adequacy and professionalism of members;
- Ensuring fairness and non-discretion in all types of application and admission procedures;
- Maintaining consistent and up-to-date rules and regulations for trading and settlement;
- Disciplinary provisions and sanctions to be applied and enforced;
- Maintaining a system of arbitration for quick settlement of trade disputes;
- Continuous, timely and adequate disclosure of information with respect to listed companies;
- Processing, prioritization and display of market data within the market in order to be equitable and fair to all members.

2. In addition to the principles laid in paragraph 1 above, FEAS members shall be also responsible for:

- Providing statistical information derived from market data;
- Educating member personnel and investment community in order to

- achieve a more effective and efficient market;
- Improving the services of national security depositories and promoting linkages for cross border transaction settlement.

Article 3. General principles and organizational requirements

1.FEAS members shall maintain a publicly recognized status and accept the obligations that correspond to their rights to operate a critical component of the capital market. Accordingly: the rules and regulations applicable to the respective member and the parties using its services shall be enforceable and be seen to be enforced.

2.FEAS members shall operate in compliance with the following principles:

- Exchange members and other trading participants are subject to equal terms where trading in financial instruments;
- Exchange members and other trading participants have equal access to the market information;
- Unified rules for exchange trading, clearing and settlement of transactions in financial instruments are in place;
- Complete transparency regarding the pricing of the financial instruments is observed, as long as no special regime of weaver of that rule applies.

3.FEAS members private law rules and processes shall address all of the following topics, or shall make reference to other documents that treat the following topics:

- Market access and participation;
- Listing;
- Timely, relevant and continuous disclosure of information;
- Trading;
- Transparency and supervision of market activities;
- Surveillance and enforcement;
- Clearing and settlement of trades;
- Settlement of disputes and arbitration;
- Emergency and summary powers;
- Business continuity planning.

4.Member's legal structure shall be of sound financial standing. In this regard, it:

- Shall provide the resources available to meet ongoing costs, and have investments, contingency reserves or insurance policies adequate in order to meet assessed risk obligations;
- Shall prepare and publish annual financial accounts which are duly composed in accordance with the International Financial Reporting Standards and audited by an external, independent and properly qualified

chartered accountant or auditor.

5.The organizational structure of FEAS members shall be formalized so as to allow for the sound management of their commercial operations. In particular:

- The staff needs to be fit and properly qualified for the responsibilities held;
- The governing body needs to establish performance standards and ensure that management fulfills its responsibilities to the member itself and to its stakeholders.

6.The powers of the management body need to be sufficient in order to guarantee sound enforcement of member's rules and regulations.

7.The segregation of liabilities within the organization need to ensure that appropriate and timely measures are applied in terms of:

- Admission of financial instruments to trading and suspension or termination of trading in certain cases;
- Admission of members and brokers and suspension or termination in certain cases;
- Definition of the terms and procedures for transaction execution;
- Member's operation in connection with the settlement of transactions and the interaction with depository institutions and clearing houses;
- Adoption, amendment and supplement of the tariff of fees collected by the member;
- Observance of the private rules and regulations by the members and the other trading participants;
- Any other processes described in private rules and regulations which directly or indirectly concern customers or other stakeholders.

8.FEAS members' private law rules shall explicitly address all potential or present conflicts of interest of their employees and management bodies, as well as the appropriate measures to resolve such conflicts. In order to limit and localize arising conflicts of interest, where appropriate, FEAS members may adopt special rules restricting or prohibiting certain acts and behavior.

Article 4. Price transparency and account separation

1.FEAS members shall make the following information public:

- A short description of all services offered and their respective prices, including any applicable terms and conditions,
- All discount and rebate schemes and the applicable eligibility criteria, and
- Examples that explain pricing, as well as discount and rebates schemes for different types of customers or customer groups.

2.The information under paragraph 1 above shall be made available at a prominent place on each member’s website.

3.Appropriate Information shall be provided on a regular basis so that all members and other trading participants are able to reconcile their actual bills with their activity and the published price lists for the services provided.

4.Together with the invoice, FEAS members shall, upon request, provide information that allows the reconciliation of the invoiced amount with the price lists published and the services provided, including:

- A breakdown of the total amount invoiced for the services provided, and
- The amount or volume of the respective underlying price basis (e.g.: number of order entries, number of trades, trading volume).

***“Members shall adhere to the principles of
fairness, integrity, competence,
authority and supervision
by putting in place
proper rules and regulations.”***

Exchange membership and participation

Article 5. General principles and conduct

1. FEAS members, which represent regulated markets, irrespective of their legal structure, shall be established either as membership organizations or as platforms with trading participants.

2. Eligibility for membership shall be limited to domestic or foreign financial institutions which have obtained a license to operate as an investment firm or whose license has been recognized by the local financial regulator. Where applicable, other entities or persons may be admitted as members or trading participants if it is allowed by the local legislation, provided that they have the necessary expertise in the area of securities trading and their admission would contribute to market integrity and liquidity.

3. In order to achieve higher international investor base, FEAS members shall actively encourage and promote the adoption of all necessary provisions for cross-border license recognition. Such may include bilateral or multilateral recognition agreements between FEAS members and third countries, as long as it is allowed by the local legislative framework. Where there is a unified legal framework which allows license recognition, FEAS members shall be responsible for its precise and timely implementation.

4. Where such cross-border license recognition is not possible because of external factors, FEAS members are encouraged to actively work for its implementation, if appropriate.

5. FEAS members that operate as membership organizations shall be free to define different types of membership groups as long as the members of one group have identical rights and obligations defined. Such groups may be defined on functional basis with respect to:

- The distinction between clearing and non-clearing participants;
- The distinction between normal trading participants and market-makers/liquidity providers;
- The scope of applicants' operational license, etc.

6. Different membership and participation types shall have different obligations and rights such as access to specific markets, market making obligations, clearing obligations or other obligations and rights defined by the trading venue.

7. Membership or trading participation may be subject to annual/monthly and/or one-off fees.

8. Where permitted by the local legal framework, non-trading members may also be stipulated in the private rules and regulations.

9. FEAS members shall be encouraged to operate electronic trading platforms which allow their members and trading participants to connect remotely.

10. The exchange members and other trading participants shall be required to carry out their activity in compliance with the principles of bona fide trading practice and ethics with respect to the clients and the rest of the members. They shall act in a manner that best protects their clients' interests.

11. FEAS members may investigate the appropriateness of granting access to their trading facilities and systems to third parties not affiliated to their members or participant but rather acting on their own behalf, provided such access is not a subject to pre-trade risk management and is allowed by the local regulatory framework. In order to guarantee that access is being granted to competent and trustworthy parties only, FEAS members shall scrutinize the procedures for authorization, monitoring and regulation of that particular type of access. In case of any misbehavior or violation on behalf the third party, FEAS members shall be responsible to undertake immediate measures to discontinue any harmful practices and to restore market integrity.

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Article 6. Admission

1. FEAS members shall establish a fair and non-discriminatory procedure for processing all applications thus guaranteeing admission if all required documents are submitted appropriately and all requirements are met.

2. Admission to trading shall be granted on the following basis:

- Access to the trading environment shall be fair and equally applied within all groups of members or trading participants;
- A set of procedures shall be introduced in order to encourage participants, adherence to the integrity, financial soundness and authority of the market mechanism;
- Foreign participants shall have equal access if they meet local standards, and the local law allows this. However, such openness shall be subject to

reciprocity of access, which is to be granted on the corresponding foreign market, where such does not exist as a result of regulatory unification or mutual recognition;

- A set of procedures shall be introduced in order to ensure continuous monitoring on members' capital adequacy, position limits, collateral quantity and quality, internal compliance rules, books and records, internal risk management, business continuity plans and market conduct, as well as the behavior of individuals acting on behalf of the members.

3.The following principles shall also apply to the activities of all members and trading participants:

- Members and trading participants shall be required to continuously respect the integrity of the trading environment and comply with the market conduct rules;
- Members and trading participants shall be of good standing and credit-worthiness in order to guarantee their clients' interests;
- A certain set of contingency procedures shall be present, working and subject to periodic testing and review within each member or trading participant in order to ensure its business continuity;
- Members and trading participants shall be required to develop a set of procedures to be followed, which shall ultimately result in conformity with the enforcement measures in case of regulatory breach.
- Members and trading participants shall meet each member's private rules and regulations in terms of professional qualifications, capital markets experience, business structure and financial adequacy, and where these fail to do so, such failure will be investigated and subject to disciplinary procedures.

4.FEAS members shall constantly endeavor to maintain high professional and ethical standards among their members and trading participants. They may organize periodic training courses and other educational events intended to enhance employees' professional skills and qualifications.

5.FEAS members shall assess the importance of setting minimum qualification requirements to be met by all individuals who are involved in the trading process on behalf of their members and trading participants. FEAS members may require that such individuals pass a special examination in order to guarantee their professional knowledge, public responsibility and business ethics.

6.Applicants for membership or trading participation shall submit an application addressed to the competent body according to the FEAS member's organization. A certain set of documents may be required to be attached to the application so

that compliance with the principles laid down in the previous paragraph can be determined. Whilst being non-mandatory and non-exhaustive, such a list of documents may include:

- A copy of the Articles of Association or the respective document under applicant's legislation;
- A copy of the license granted by the regulatory authority;
- Details about the clearing member of the applicant in case of application for non-clearing membership/participation;
- Details about the persons who are members of the management bodies of the applicant;
- Details about the persons with major holdings in the applicant and the number of votes held by them in its General Meeting;
- Details about the persons will be involved in the trading process on behalf of the applicant and documents certifying their professional skills, experience and qualification;
- A copy of the agreement or other document certifying membership or participation in the securities clearing and settlement system;
- A copy of the applicant's internal rules certifying that its activity conforms to the provisions of paragraph 2 and 3 ;
- Information on any administrative sanctions imposed.

7.FEAS members shall ensure fair and timely processing of membership or participation applications by a competent body under their own organization. If additional information is needed, each applicant shall be given enough time to present all relevant documents.

8.Where the entire set of documents required is duly presented, the competent body shall grant a membership/participant status on a non-discriminatory basis.

9.FEAS members may refuse to grant membership or participation to an applicant only in the cases where:

- False documents have been presented;
- Any information additionally requested has not been presented;
- Applicant's internal rules pose a serious threat to the market integrity or endanger the interest of its clients and the remaining participants.

10.The competent body shall notify each applicant as soon as possible about its decision, irrespective of its nature.

11.A refusal by the competent body shall be appealable before a higher ranking internal or external authority as long as the local regulatory framework allows it.

12. If membership/participant status is granted, effective as from the date of the decision, the applicant shall have all rights and responsibilities associated with the remaining members or other participants.

13. FEAS members shall maintain full and comprehensive set of relevant information about all of their current and past members or other participants and shall make this information public to the extent it is material to the other stakeholders.

Article 7. Market makers/Liquidity providers

1. FEAS member may adopt special procedures applicable to the authorization of market makers/liquidity providers. These procedures shall guarantee that only members or participants of superior standing, credit-worthiness, knowledge and experience are being admitted as market makers/liquidity providers.

2. Market makers/liquidity providers shall be subject to strict quoting requirements tailored by the FEAS members according to the specifics of the markets they operate. FEAS members shall periodically provide detailed reports to all authorized market makers/liquidity providers describing the extent to which they meet these requirements.

3. Market makers/liquidity providers may be entitled to additional products or services on a non-discriminatory basis, as well as to rebates and discounts provided they meet their quoting requirements.

4. If a market maker does not fulfill its quoting requirements on a systematic basis or violates the private rules or regulations, FEAS members may suspend or terminate its market maker status, depending on the gravity of the situation. If possible, such decision shall be made appealable before a higher ranking internal or external authority.

Article 8. Suspension or termination

1. The competent body under a member's organization shall have the right to suspend a member or other participant in the following non-exhaustively listed cases:

- The member/participant temporary ceases to comply with the private rules and regulations;
- The member or the participant has committed a violation of the private rules or regulations of the FEAS member or of the domestic legislation, which can be sanctioned by temporary suspension;
- The member/participant has requested such suspension;
- Other temporary non-compliance with the private rules or regulations of

the FEAS member.

2.The competent body under a member's organization shall have the right to terminate membership/participation in the following non-exhaustively listed cases:

- The member/participant permanently ceases to comply with the private rules and regulations;
- Upon revocation by the regulator of the license to provide investment services;
- Upon presentation of false information or withholding of material facts in connection to its daily operations;
- Upon mutually agreed termination of membership;
- Upon permanent failure by the member/participant to fulfill its securities settlement obligations;
- The member or the participant has committed a serious or repetitious violation of the private rules or regulations of the FEAS member or of the domestic legislation;
- Other permanent and serious non-compliance with the private rules or regulations of the FEAS member.

3.The decision by the competent body to suspend or terminate membership or participation shall be also appealable before a higher ranking internal or external authority as long as the local regulatory framework allows it. Irrespective of the result of the appeal, the decision does not relieve the member or the participant from its remaining obligations.

4.The procedures laid down in paragraphs 1-3 shall also apply to the suspension and termination of persons authorized to act on behalf of the members/participants in the trading process.

Listing/Admission to Trading

Article 9. General principles

1. FEAS members that are responsible for the listing process on the markets they operate shall act on a best efforts basis in accordance with the legal framework and the powers that are given to them in order to promote market's representation and importance by listing only companies which contribute to its strategic position, and which are of good financial standing and credit-worthiness.

2. The provisions of this Title shall not apply to those FEAS members that rely on decision-making by third parties in terms of listing, like regulators or external listing organizations, provided that sufficient information has been disclosed about those instruments and the issuers thereof.

3. In order to ensure that a fair and non-discriminatory listing procedure is in place, FEAS members shall address the following points under their private rules:

- Who the listing authority within their organization is and what its responsibilities are;
- The types of instruments that can be listed and the body that is competent to follow and periodically review the listing and trading process in order to determine any potential for increase of the variety of instruments traded;
- The exact procedure and timetable for listing, suspension and delisting of financial instruments;
- The structure of the markets and segments operated by the FEAS member;
- The exact procedure for transfer between markets and segments;
- The minimum listing criteria which apply to each of the markets or segments operated by the FEAS member;
- The ongoing requirements which the issuers or the financial instruments must satisfy from the moment of admission until the moment of delisting, including but not limited to:
- The manner in which issuers should present financial information, which would preferably be in accordance with the International Financial Reporting Standards;
- The requirement that issuers shall make public any initial and on-going information in a complete and timely manner. The said information shall consist of all relevant company information, materially affecting the respective company's prospects and of the risks inherent in the security. It should also be stipulated that information is to be disclosed in

extraordinary circumstances, where such information may cover changes arising as a consequence of corporate actions, new business developments, profit warnings and similar events having a material effect on the value of these securities.

4.FEAS members shall endeavor to achieve co-ordination and regulatory unification among markets where securities are jointly listed, so as to ensure that there is synchronized disclosure of information and surveillance of price discovery and market activity. Foreign issuers should be subject to the same rules as the domestic ones to the greatest possible extent.

5.The structure of the markets and segments operated shall be dependent on the instrument types and their intrinsic characteristics. In order to achieve qualitative distinction within a single instrument type, various measurement criteria may be applied, which non-exhaustively may be one or more of the following:

- Market capitalization
- Turnover/ turnover velocity/value of contracts traded
- Volume/number of contracts traded
- Number of trades
- Free float/free-float adjusted market capitalization
- Number of shareholders

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6.The structure of the market may be allocated to the main board on instruments with higher values of criteria mentioned in Point 5, Article 9 and the alternative market with lower value instruments. This should be done for the convenience of the legislation and to ease the evaluation of risks by the market participants.

7.The instruments listed on a single market or segment, as well as their issuers, shall be treated equally unless another non-discriminatory regime applies on instrument level.

8.The market structure and any subsequent changes thereto shall be defined by the FEAS members upon consultations held with the issuers and members and other trading participants.

Article 10. Eligibility

1.In order to be listed on some of the markets or segments operated by a FEAS member, the issues of financial instruments shall comply with the following conditions:

- If possible, the instruments shall be in dematerialized form and registered

- at a central securities depository.
- The instruments shall comply with all conditions of the local regulatory framework;
- The transfer of the instruments shall not be subject to any restrictions or conditions.

2.Where derivative issues are being listed, sufficient information about the parameters and the current market price of the underlying instrument shall be available.

3.FEAS members shall avoid to the greatest possible extent any listings that may potentially endanger market stability or compromise investors' confidence e.g. instruments whose issuer's financial stability is questionable. If possible, FEAS members shall not list any instruments which are supposedly used to finance illegal activities.

Article 11. Prospectus and public information

1.Irrespective of the instrument type, listing shall be possible only where appropriate information about the issuer and the offering has been published. Such information shall be sufficient, as objective as possible, and should be easy to analyze and comprehend.

2.For the purpose of promoting cross-border listing, FEAS members shall closely cooperate in order to provide trading infrastructures having similar information disclosure requirements.

3.Where the local regulatory framework requires a prospectus to be approved from the securities regulator and published prior to the offering, FEAS members shall not require additional information from the issuer than the one that has been published in the prospectus unless it is essential to the trading process.

4.If there is no requirement that a prospectus is to be published, FEAS members shall require that a specified set of information is made public. This set of information shall be consistent with the characteristics of the instruments and with the type of the offering. The information shall be published before the first trading day and in a manner that guarantees maximum investor coverage.

5.In case of listing of shares, such set of information shall non-exhaustively include:

- Information about the issuer:
- History and development;
- Investments;

- Principal activities;
- Principal markets;
- Organizational structure;
- Property, plants and equipment;
- Financial condition;
- Operating results;
- Capital resources;
- Research and development;
- Trend data;
- Profit forecast and estimates;
- Administrative, management, and supervisory bodies and senior management;
- Conflicts of interest;
- Remuneration and benefits;
- Board practices;
- Employees;
- Major shareholders;
- Related party transactions.
- Historical financial information:
 - A balance sheet; an income statement; a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners; a cash flow statement; accounting policies and explanatory notes covering the last 3 financial years or such shorter period during which the issuer has been in operation;
- Auditing of historical annual financial information;
- Interim and other financial data;
- Dividend policy;
- Significant change in the issuer's financial or trading position.
- Risk factors that are specific to the issuer or its industry;
- Additional information:
 - Share capital (the number of shares authorized; the number of shares issued and fully paid, as well as these issued but not fully paid; the par value per share, or that the shares have no par value, etc.) and any other material facts related to its structure;
- Memorandum and Articles of Association;
- Material contracts;
- Declarations of any interest;
- Statutory auditors;
- Persons responsible for the information being published;
- Information concerning the securities
- Securities' type and class, including the ISIN (International Security

- Identification Number) or other applicable identification codes such as a CFI code (Classification of Financial Instruments Code);
- Legislation under which the securities have been issued;
 - Currency of the securities' issue;
 - Rights attached to the securities, including any limitations of those rights, as well as the procedure set for the exercise of those rights;
 - Terms and conditions of the offer:
 - Conditions, offer statistics, expected timetable;
 - Plan of distribution and allotment;
 - Pricing;
 - Placement and Underwriting;
 - Admission to trading and dealing arrangements;
 - Selling securities holders:
 - Persons or entities offering to sell the securities;
 - Lock-up agreements;
 - Parties involved;
 - Expense of the issue;
 - Dilution;
 - Other applicable information.

6. In case of listing of debt securities, the information that needs to be published shall non-exhaustively include:

- Information about the issuer:
 - History and development;
 - Investments;
 - Principal activities;
 - Principal markets;
 - Organizational structure;
 - Trend information;
 - Profit forecast and estimates;
- Administrative, management, and supervisory bodies and senior management;
- Conflicts of interest;
- Remuneration and benefits;
- Board practices;
- Major shareholders;
- Historical financial information:
 - A balance sheet; an income statement; a statement showing either all changes in equity or changes in equity other than those arising from capital transactions with owners and distributions to owners; a cash flow statement; accounting;
- Auditing of historical annual financial information;

- Interim and other financial information;
- Legal and arbitration proceedings;
- Significant change in the issuer's financial or trading position;
- Additional information:
 - Share capital (the number of shares authorized; the number of shares issued and fully paid, as well as these issued but not fully paid; the par value per share, or that the shares have no par value, etc.) and any other material facts related to its structure;
- Memorandum and Articles of Association;
- Material contracts;
- Key information about the issue:
 - Interest of any persons involved in the issue;
 - Reasons for the issue and utilization of the proceeds thus attracted
- Information concerning the securities:
 - Securities type and class, including the ISIN (International Security Identification Number) or other applicable identification codes such as a CFI code (Classification of Financial Instruments Code);
 - Legislation under which the securities have been issued;
 - Currency of the securities' issue;
 - Rights attached to the securities, including any limitations of those rights, as well as the procedure set for the exercise of those rights;
- Maturity date and arrangements for the amortization of the loan;
- Any income payable and due dates;
- Yield;
- Terms and conditions of the offer:
 - Conditions, offer statistics, expected timetable;
 - Plan of distribution and allotment;
 - Pricing;
- Placement and Underwriting;
- Admission to trading and dealing arrangements;
- Other applicable information.

7.In case of listing of other instruments, FEAS members shall require that the most comprehensive and consistent set of information is published, according to instrument's specific characteristics.

8.The provisions of paragraphs 5 and 6 herein shall not apply to:

- Units issued by collective investment undertakings other than the closed-end type;
- Non-equity securities issued in a continuous or repeated manner by credit institutions provided that these securities:
 - are not subordinated, convertible or exchangeable;

- do not give a right to subscribe to or acquire other types of securities and that they are not linked to a derivative instrument;
- materialize reception of repayable deposits;
- are covered by a deposit guarantee scheme;
- Non-equity securities issued by the government, the central bank or by regional or local authorities,
- Securities unconditionally and irrevocably guaranteed by the government or by regional or local authorities;
- Shares issued in substitution for shares of the same class already issued, if the issuing of such new shares does not involve any increase in the capital issued;
- Securities offered in connection with a takeover by means of an exchange offer;
- Securities offered, allotted or to be allotted in connection with a merger;
- Shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class;
- Securities offered, allotted or to be allotted to existing or former directors or employees;
- Shares representing, over a period of 12 months, less than 10 per cent of the number of shares of the same class already admitted to trading on the same regulated market;
- Shares resulting from the conversion or exchange of other securities, or from the exercise of the rights conferred by other securities;
- Securities already admitted to trading on another regulated market, provided that these securities have been admitted to trading on that other regulated market for more than 18 months, the admission to trading on that other regulated market was associated with an approved prospectus, or the minimum information as required by paragraphs 5 and 6 herein has been published.
- FEAS members may allow certain information to be excluded and not published if they deem that:
 - Its publication is not in line with the public interest; or
 - Its publication may be seriously detrimental to the issuer, provided that the omission would not be likely to mislead the public; or
 - Such information is of minor importance only for a specific issue and it does not constitute such information that will influence the assessment of the financial position and prospects of the issuer.

9.FEAS members shall ensure that the responsibility for the information being published be attached to at least the issuer or its administrative, management or supervisory bodies.

Article 12. Application for admission

1. Admission to trading may be requested by the issuer itself, by an authorized exchange member or a trading participant, as well as by a third person who requests admission without issuer's consent.

2. For admission of shares to trading on one of the markets or segments, the person or entity under paragraph 1 shall submit an application in a standard form, duly addressed to the competent body according to the FEAS member's organization. A certain set of documents may be required to be attached, which non-mandatory and non-exhaustively may include:

- A copy of the Articles of Association or the respective document under the applicant's legislation;
- A copy of the prospectus or the information under Article 11(5) or 11(6) herein;
- A copy of a document issued by the relevant regulatory authority on confirmation of the prospectus, if applicable;
- A document certifying the allocation of an ISIN code or other applicable codes;
- A document issued by a depository institution that the issue is registered accordingly;
- A document certifying the issuer's business sector identity;
- A document certifying compliance with the listing requirements of a specific market or segment;
- A copy of the agreement concluded with a market maker, if such exists;
- Other documents certifying compliance with the respective member's specific requirements.

3. A competent body under the organization of the respective FEAS member shall consider the application on a timely basis . Where additional information is needed, each applicant shall be given an adequate time period to present the entire relevant documentation.

4. Where all of the required documents have been duly presented, the competent body shall admit the issue to trading on the respective market or segment.

5. FEAS members may refuse to admit an issue to trading only in the cases where:

- False documents have been presented; or
- Any information additionally requested has not been presented.

- 6.**The competent body shall notify each applicant as soon as possible about its decision, irrespective of its nature. In case of a refusal, the decision shall be reasoned accordingly.
- 7.**A refusal by the competent body shall be appealable before a higher ranking internal or external authority, as long as the local regulatory framework allows it.
- 8.**A positive decision shall specify the first trading day and all other details applicable to the trading process. These details shall be made public at least one business day before the start of trading in that particular instrument.
- 9.**FEAS members shall maintain a full and comprehensive set of relevant information about all issues listed and shall make this information public to the extent it is material to the other stakeholders.
- 10.**For admission of derivative instruments, the provisions of Title VI shall apply.

***“FEAS members shall avoid
to the greatest possible extent
any listings that may potentially endanger
market stability
or compromise***

investors' confidence."

Box: Investigating Exchange Readiness for SME Listing

Exchanges across the world are putting a stronger spotlight today on the emerging companies that are usually sorted out as small and medium-size enterprises. Despite lack of consensus on a global definition, market operators and regulators embark on the issue to deepen the capital markets liquidity as well as providing capital raise opportunity to these businesses. Investors are also pushing operators to come up with high return products (usually with some associated high risks) at which promising businesses and start-ups might deliver a lucrative alternative.

Listing rules and procedures, however, are not always conducive to the emerging businesses that explicates why exchanges look into lenient admission and trading regulations for this particular segment. From the FEAS point of view, not many members operate particular markets for small and medium-size businesses. Those who run a separate scheme do not necessarily generate liquidity.

Based on these inputs, FEAS Working Committee concurred on creating a task force to investigate current dynamics and elements in the member markets per SME listing and trading. The Task Force which was co-led by Borsa Istanbul and Zagreb Stock Exchange organized a survey with more than two dozens of questions. The Task Force presented its findings to the Working Committee in November 2014 at its bi-yearly meeting in Zagreb. Below are selected answers to questions from the survey:

Question	Yes (%)	No (%)
Is there a certain definition of small and medium sized enterprises in your country's regulations?	100	-
Are there any specific regulations for SMEs, SME markets or SME financing?	56	44
Is there a support system for SMEs in your country?	100	-
Is there a certain market established directly for SMEs on your Exchange?	44	56
Are there any specific regulations for SME IPOs?	22	78
Are there any incentives for SME listings?	22	78
Are there any trading mechanism applied particularly to SME shares such as market making, single price or any other mechanism?	22	78
Are there any differences between the disclosure requirements for issuers on the main market and on SME markets?	56	44
Are the settlement and custody of SME shares different from the main market shares?	-	100
Are there any regulations specific to bond issuances of SMEs?	11	89
Are there any analysts' reports on SME stocks regularly prepared?	22	78

Trading

Article 13. General principles

1.The trading methodology shall be defined by the FEAS member in coordination with its members or trading participants. If possible, FEAS members shall seek regulatory approval of their private trading rules. The trading methodology shall be transparent and defined in accordance with the principles of fairness, equality and investor protection.

2.In order to promote cross-border trading, FEAS members shall endeavor to achieve common or similar trading rules when one or more instruments are traded on more than two markets.

3.The responsibilities of the FEAS member, on one hand, and its members and participants, on the other, shall be drawn up, documented, publicly available and explained to all stakeholders.

4.The market model and trading principles shall also be documented and, if possible, included in the member's private rules and regulation. They shall be made clear and shall be publicly available to all parties. These principles shall cover the entire trading environment and the full lifecycle of a single bid or ask order from its entry to the successful settlement of the trade upon its execution.

5.The market model shall be based on the principle of transparency and equality of treatment of the participants and investors of the same class. A different market model may be defined for the different types of instruments. When deciding on a specific model, FEAS members shall take into consideration instrument's characteristics, liquidity and investor base.

6.FEAS members which maintain electronic trading environments shall constantly endeavor to ensure their uninterrupted operation and integrity. Adequate measures shall be adopted and followed in case of deviation from the normal business flows.

7.If relevant, FEAS members shall ensure that Algorithmic trading and High-Frequency algorithmic trading is well-regulated and well-defined in trading methodology and other internal documents of stock exchanges exposed to its trading members.

Article 14. Orders and quotes

- 1.** Trading shall be order-driven, quote-driven or a combination of both.
- 2.** In order driven markets, trading shall result from the matching of bid and ask orderflow as submitted by all exchange members or trading participants, and placed either electronically into a centralized orderbook or via an open outcry method.
- 3.** Trading on pure quote driven markets shall be always against a market maker/liquidity provider, whose quotes shall be the only active bid and ask orders in the orderbook. A quote shall be the simultaneous placement of a bid order and an ask order for a principal account. Each market maker shall be able to have only one quote for a particular instrument.
- 4.** All other exchange members or trading participants shall trade by accepting the parameters of market-maker's quotes.
- 5.** A combination of quote and order-driven market shall be the situation in which all members and trading participants have equal rights to place bid and ask orders while one or more market-makers/liquidity providers are also present. Market-makers' quotes shall be firm obligations; however not necessarily the best bid and ask order.
- 6.** Members shall observe price-time priority of orders unless no other fair and non-discriminatory priority is present. The price-time priority means that orders in the orderbook shall be executable by taking into account their prices first and if the price of two orders is equal – the time of their entry. Higher price of a bid order shall result in higher priority. Lower price of an ask order shall mean higher priority.
- 7.** A change of a parameter which does not affect the counterparty of an executable order shall not affect its time priority.
- 8.** In specific cases, price-volume priority may be adopted. Orders with higher volume shall have higher priority.
- 9.** Orders and quotes shall constitute a firm promise to buy or sell a particular amount of instruments at a limit price or at a market price and with particular additional parameters.

10. High-frequency algorithmic trading systems analyze data or signals from the market at high speed and then sends or updates large numbers of orders within a very short time period in response to that analysis. In particular, high-frequency algorithmic trading may contain elements such as order initiation, generating, routing and execution which are determined by the system without human intervention for each individual trade. FEAS members should ensure robust measures are in place to ensure that algorithmic trading or high-frequency algorithmic trading techniques do not create a disorderly market and cannot be used for abusive purposes.

Article 15. Order types

1. Limit orders shall be always allowed by the FEAS members. This particular type represents the willingness to buy or sell a particular amount of instruments at a specified limit price while additional parameters may apply. Such parameters may non-exhaustively include:

- Execution restrictions with regard to a particular trading phase, particular type of matching order, request for full execution; and
- Other restrictions such as validity, time to leave, etc.

2. Notwithstanding the provision of paragraph 1 above and in order to improve the variety of orders allowed, FEAS members shall constantly explore the options to introduce new order types. Such order types may include:

- Market orders - orders to buy or sell a particular amount of instruments at the prevailing market price at the time of its entry;
- Stop orders – orders which are intended to limit potential losses or to take realized profits;
- Hidden orders – order which are not visible in the orderbook until their execution;
- Midpoint orders – orders executable at the midpoint price between the best bid and ask at the time of their execution;
- Iceberg orders – orders with partially visible amount.

3. A combination of the order types under paragraph 2 shall be also possible if the intrinsic parameters of the participating orders do not contradict.

4. All order types shall guarantee fair treatment of all exchange members and other participants and may be subject to other restrictions in terms of transparency, volumes and trading phases. When deciding on a particular order type, FEAS members shall take into account the opinion of all stakeholders.

Article 16. Order modification and withdrawal

1.All orders shall be subject to modification or withdrawal by the exchange members and other trading participants. In extraordinary cases, FEAS members shall have the power to withdraw orders placed on behalf of their members provided that such withdrawal is necessary to preserve market's integrity.

2.Parameters of partially executed orders may be changed; however, such a change shall not apply to the executed part unless it does not affect the counterparty.

3.Orders which have been withdrawn from the orderbook shall not be executable against other orders. Withdrawn and re-entered orders shall be considered to be new orders.

4.An order shall be considered withdrawn where:

- It has been cancelled by the person who is responsible for the trading process on behalf of the exchange member or other market participant;
- It has been cancelled ex officio by the FEAS member or its trading infrastructure as a result of its expiration; or
- It has been cancelled ex officio by the FEAS member consequent to an express request in writing on behalf of the exchange member or another trading participant.

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Article 17. Additional parameters

1.With respect to the quantity of the orders allowed, a minimum order size and a round lot may be specified. These parameters shall be defined at the time of admission to trading; however, they may be subject to periodic or irregular changes.

2.The minimum order size indicates the minimum quantity which is acceptable by the trading environment at the time of its entry. The lot indicates the multiple of the number of instruments allowed in addition to the minimum order size at the time of the order entry.

3.If round lots have been defined for a specific instrument or a group of instruments, FEAS members shall ensure that non-round (odd) lots are also tradable (e.g. during auctions or on other segments).

4.With respect to the price of the orders, FEAS members shall specify the minimum tick size in terms of a number of decimal symbols. The tick size shall be defined accordingly to the type of the instrument and its price. FEAS members

shall endeavor towards the adoption of internationally recognized and standardized tick sizes.

5.The price of specific instrument types may be expressed in a way other than using standard absolute values, e.g. as a percentage for bonds.

Article 18. Order identification

1.If an electronic trading environment is maintained, FEAS members shall ensure that each order which reaches the environment is marked accordingly and a full history of its state is maintained. With respect to the foregoing, at least the following parameters shall be recorded:

- Unique number allocated by the trading platform;
- Time of entry, modification, deletion, partial execution;
- The instrument code;
- Buy/sell identification;
- Full type of the order;
- Price conditions;
- Volume of the order;
- Stop price, in the cases of stop orders;
- Identification of the exchange member or the trading participant, as well as the person who entered the order;
- Execution conditions;
- Validity constraints;
- Identification of the trading phase restrictions;
- An indicator whether the order is for one's own or for principal's account.

2.The parameters under paragraph 1 may be sent in real time or at the end of the trading day to the clearing institution for risk-managements purposes.

Article 19. Trading days and phases

1.The trading rules shall specify the duration and frequency of the trading sessions on all markets and segments. If financial instruments are listed on several markets, members shall endeavor to define overlapping trading schedules as much as possible in order to provide arbitrage opportunities.

2.The duration and the frequency of the trading sessions shall take into account all specific characteristics of the market and the instruments traded. Liquid instruments or instruments whose characteristics imply increased trading activity shall be traded on a daily basis throughout the entire trading day. Shorter trading phases may be stipulated for illiquid instruments or, ultimately, less frequent trading sessions.

3.FEAS members shall endeavor to unify their trading schedules and phases as much as possible with the internationally recognized practices. With respect to the foregoing, they shall choose such combination of trading phases which is in conformity with these practices and the instruments' characteristics.

4.For liquid instruments, a combination between an opening auction, continuous trading and a closing auction shall be recommended. Illiquid instruments may be only traded in one or more auctions.

5.Continuous trading shall be defined as the part of the trading session characterized by immediate execution of matching orders entered by exchange members or other participants.

6.Auctions shall be defined as the part of the trading session which is characterized by delayed execution of matching orders after a pre-defined period of time and using a comprehensive matching algorithm, which takes into account the priority of each matching order.

Article 20. Pre-trade transparency

1.FEAS members shall make public current bid and offer prices and the depth of trading interests at those prices. This information shall be provided continuously during normal trading hours and made available to the public on reasonable commercial basis.

2.Notwithstanding the provision of paragraph 1, this obligation shall not interfere with or preclude FEAS members from promoting their market data business.

3.If allowed by the local regulatory framework, members' private rules and regulations may specify the conditions under which the obligation under paragraph 1 may be waived. These conditions shall be generally based on:

- The size or type of the orders; or
- The market model.

4.FEAS members shall further investigate the feasibility of possible extension of the pre-trade transparency requirement towards instruments other than shares.

5.If possible, FEAS members shall ensure that the orders in the order book are anonymized when displayed to third parties.

Article 21. Circuit breakers

- 1.** In order to provide adequate safeguards against the negative impact of external or internal factors resulting in sharp market movements, FEAS members shall stipulate the conditions under which circuit breakers are applied, that is, the trading in one or more instruments may be temporarily halted.
- 2.** The factors that result in unusual movements may be specifically outlined, or alternatively, halts may be triggered always when an unusual movement occurs irrespective of the nature of the factor that caused it.
- 3.** FEAS members shall decide whether halts will be triggered on instrument level, on market level or on other basis (e.g. index affiliation). Specific rules may apply depending on the trading model or phase.
- 4.** Where an electronic trading environment is concerned, such conditions shall specify the threshold that triggers a halt. The threshold shall be expressed as a percentage from the current market price or other referential price, as well as its duration.
- 5.** If possible, halts shall be automatic. Exchange members or other trading participants shall be informed accordingly.
- 6.** If an open outcry method is used, FEAS members shall ensure that an adequate procedure for response to unusual market movements is in place. In such cases, trading shall be halted as quickly as possible even where an explicit decision from a competent body may be needed.
- 7.** When deciding on the threshold, FEAS members shall take into account the historic volatility of the instruments or indexes concerned, as well as any other factors that may contribute to the price instability.
- 8.** The duration of the halt shall be defined in accordance with the threshold and, in general, higher volatility or second circuit breaker triggered shall result in longer halts.
- 9.** In case of extreme volatility throughout the trading day or several consecutive trading halts, the competent body may decide to halt the trade in one or more instruments until the end of the trading day.
- 10.** After the halt duration expires, trading shall be resumed as it was prior to the halt.

Article 22. Corporate events

1. Upon occurrence of corporate events directly affecting the market prices, such as an increase of capital, dividend payments, etc., FEAS members may adjust the last closing price on the last date of conclusion of transactions, thus providing the right to participate in the respective corporate event.

2. The adjustment shall be made on the ex-date depending on the corporate event involved. FEAS members shall ensure that an appropriate announcement about the forthcoming adjustment is published accordingly.

3. The adjustment shall reflect the theoretical impact of the corporate event on the market price.

4. After the adjustment is made, all orders in the order book shall be deleted ex officio.

Article 23. Short sales

1. Short sales shall be defined as the sale of an instrument which is not owned by the seller and which is settled by the delivery of borrowed securities.

2. In order to preserve market integrity, FEAS members shall not allow short selling of instruments, the seller of which does not own these and does not have an agreement with a third party to borrow these at the time of the trade (naked short selling). Intraday transactions, however, may be excluded from that rule.

3. In order to prevent the market from entering into a short squeeze state, FEAS members may limit the instruments eligible for short selling by stipulating minimum liquidity criteria.

4. For the purpose of not allowing excess pressure to the prevailing market prices by short selling, FEAS members may adopt explicit rules defining the conditions under which a short sale order may be placed. Such conditions may non-exhaustively provide that:

- The price of a short sale order shall be higher than the current market price, the opening price or other feasible referential price; or
- The price of a short sale order shall be equal to the current market price, but higher than the previous market price, the opening price or other feasible referential price.

5. FEAS members shall not require explicit designation of the short sale orders as such. Irrespective of that, they shall ensure that the provisions of paragraph 4 are being observed by their members and other trading participants.

6. In cases of extreme volatility, or if there are well-founded arguments that potentially increased short-selling activities may pressurise the market, FEAS members may decide to temporarily halt any short selling. Such decision should be reasoned accordingly and duly announced.

7. In order to ensure that the public is adequately informed about the short selling activity on the market, FEAS members shall disclose or shall ensure disclosure on a periodic basis of at least the following information:

- Net short positions in each instrument eligible for short selling;
- Total volume of the short sales in each instrument eligible for short selling;

8. The disclosure under paragraph 7 above shall not identify the holder of the short position or the person or entity who or which executed the short sale.

9. When implementing the provisions of paragraph 7 above in practice, FEAS members may define a minimum threshold, expressed as a percentage from the total volume of the issue of financial instruments, under which no information is being published. Irrespective of that threshold, FEAS members shall be ready to provide or to ensure provision of this information to the local regulatory authority.

Article 24. Post-trade transparency

1. FEAS members shall make public the price, volume and time of the transactions executed in respect of shares admitted to trading. The details of all such transactions are to be made public on a reasonable commercial basis and as close to their real time as possible.

2. Notwithstanding the provision of paragraph 1 above, this obligation shall not interfere with or preclude FEAS members from promoting their market data business.

3. If allowed by the local regulatory framework, FEAS members may defer publication of the details of transactions based on their type or size. In particular, deferred publication may be allowed in respect of transactions that are large in scale where compared to the normal market size for that share or that class of shares. If possible, FEAS members shall obtain regulatory approval with regard to the proposed arrangements for deferred trade publication and shall ensure that

these arrangements are clearly disclosed to the market participants and investors.

4.FEAS members shall further investigate the feasibility of possible extension of the post-trade transparency requirement towards instruments other than shares.

5.In case that the trades are not settled via a central counterparty (CCP), FEAS members shall ensure that no information on the counterparties involved is publicly disclosed.

Article 25. Error correction

1.Correction of parameters of trades already executed shall be allowed only if the respective change does not affect the counterparty.

2.In certain cases, FEAS members may have the power to amend parameters of trades even if such change affect the counterparty, but only if it is necessary to preserve the market integrity and the counterparties are aware of that option. A counterparty of a trade shall not be able to change a parameter that affects the other counterparty without the explicit consent of the FEAS member.

3.Exchange members and other trading participants shall apply to the competent body within the FEAS member's organization in order to correct the parameters unless such correction can be done directly by them. FEAS members shall ensure a timely processing of the applications in order not to delay the settlement of such trades.

Article 26. Trade cancelation

1.Any trades concluded as a result of indisputable errors made by the persons engaged in the trading process, including when an electronic trading infrastructure is involved, may be cancelled by a decision of the competent authority according to the organizational structure of the FEAS member. Where possible, exchange members and other trading participants shall negate the effect of an erroneous trade by executing a reverse, offsetting trade with the same counterparty and parameters. In such case, no decision on behalf of the FEAS member shall be needed.

2.FEAS members may adopt certain criteria which trades in terms of volume, market price impact, etc., may be canceled and what procedure needs to be followed.

3. Exchange members and other trading participants shall apply to the competent body within the respective FEAS member's organization for cancellation. FEAS members shall ensure a timely processing of the applications in order not to initiate settlement of trades that are to be canceled.

4. With respect to paragraph 4 above, only trades executed during the current trading date shall be canceled. Cancellation of a trade the settlement process of which has been started shall not be possible.

5. FEAS members shall duly disclose to its members and trading participants any cancellations made.

Article 27. Trading halts

1. Apart from the provisions of Article 21 above, FEAS members shall have the power to temporarily suspend the trading in one or more instruments if it is needed to protect investors' interests or preserve market integrity.

2. The competent body within the respective member's organization shall be able to suspend trading at least under the following two circumstances:

- Receipt of information on a specific instrument or issuer that is price sensitive and has the potential to influence the decisions of investors and/or acquisition of any information prior to public disclosure, which is preferably disseminated to the public;
- When the proper trading process is hindered by any reason.

3. In order to adequately respond to the receipt of information or the occurrence of an event, FEAS members shall ensure that the decision to suspend the trade in one or more instruments shall be made as quickly as possible. Any such suspension shall be made public immediately upon becoming effective.

4. When a suspended issue appears to be an underlying instrument in respect of a derivative product, FEAS members may also suspend the derivative product for the same period.

5. When the grounds for the suspension are no longer valid, trading shall be resumed, unless the last mentioned decision stipulates otherwise.

6. FEAS members shall notify immediately the issuer, and if necessary – the regulator, of their decisions to suspend or resume trading.

Article 28. Contingency management

1.The competent authority according to the internal organization structure of the FEAS member shall have the right to adopt a decision on suspension of the entry of orders and the conclusion of transactions on the markets in the cases of:

- A failure in the electronic trading environment;
- A failure in the overall equipment directly affecting the proper trading flow or the clearing and settlement process;
- A failure in the telecommunication networks rendering impossible the access of exchange members and other trading participants to the electronic trading environment;
- Emergency situations that endanger the normal execution of trades;
- Major national and international crises, including strikes, riots, martial law or natural disasters, as well as events that may endanger the execution of trades.

2.FEAS members shall immediately notify all exchange members or other trading participants, as well as the local regulatory authority, of the decision under paragraph 1 above.

3.In order to ensure full business continuity even if a major event of disruptive nature occurs, FEAS members shall adopt comprehensive contingency management procedures, which, if possible, shall be subject to regulatory approval.

4.The said contingency management procedures shall describe in detail all measures that need to be undertaken in case of disruptive events, in what terms and the persons responsible for all corrective actions.

5.FEAS members that operate electronic trading environments shall endeavor to achieve independence from external factors impacting their infrastructure by maintaining secondary backup centers, which in extraordinary situations may replace their primary site of operation. Exchange members and other trading participants shall be given enough freedom to connect to at least two sites using different connectivity providers, if possible. The connection shall not necessarily be always active, meaning that the secondary connection shall be only used upon a total failure of the primary site or connection.

6.The secondary centers shall be physically distant from the primary site so a disruptive event occurring at the primary site may not affect the secondary one and vice versa.

7. Any information that is stored electronically must be subject to regular backups on independent storage devices which allow quick restoration in emergency situations.

Article 29. Cross-border trading

1. FEAS members shall endeavor towards setting up or joining common platforms allowing the members or trading participants of one venue to have direct access to the trading occurring on another venue.

2. Such platforms may be intermediated by the FEAS members themselves, acting as a proxy of their members and trading participants.

3. Irrespective of the legal form and the business model of the platform, FEAS members shall ensure that a timely settlement of all cross-border trades may be achieved.

“Member shall make public current bid and offer prices and the depth of trading interests at those prices. This information shall be provided continuously during normal trading hours and made available to the public on reasonable commercial basis.”

Clearing, Settlement and CCP

Article 30. General principles

- 1.** FEAS members shall ensure that at least one clearing and settlement institution can effectively and systematically provide clearing and settlement services in respect to all trades executed on the respective trading venue
- 2.** Clearing, settlement, depository, custodial and registration services (called hereinafter post-trading services) shall be provided by separate companies or institutions from the trading venue in order to mitigate the risks for FEAS members associated with these services.
- 3.** Notwithstanding the provision of paragraph 1 above, FEAS members may directly control or entirely or partially own the entity or entities providing such post-trading services.
- 4.** The post-trading services in question shall be provided on a fair, effective and efficient basis supporting the secondary market.
- 5.** FEAS members shall appoint as providers of post-trading services only institutions or companies that have well-founded, clear, transparent and enforceable legal basis for their basic operations.
- 6.** Post-trading service providers shall have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access. If tiered participation is allowed, that is indirect participants rely on the services of other, direct, participants, all applicable risks arising from their arrangements shall be identified, monitored, and effectively managed.
- 7.** Only institutions or companies with sound governance framework shall be eligible to provide post-trading services to FEAS members. The latter shall ensure on a continuous basis that the post-trading institutions employ adequate risk-management and control mechanisms in their daily operations.
- 8.** The risk-management framework of the post-trading service providers shall include, where applicable, appropriate tools for mitigation of legal, credit, liquidity, operational and other potential risks.

9.The observance of the rules that regulate the post-trade services shall be the responsibility to the concrete entity that provides these. FEAS members shall however ensure that these rules, in order to promote safety and stability of the financial system, are in line with the principles of the markets they operate, that these effectively reflect the needs of the investment community and that these are up-to-date with the modern post-trading practices.

10.The post-trading services in question shall also enable, facilitate and promote cross-border clearing and settlement.

11.Where possible, the post-trading services shall be provided to a limited number of members or participants, and it shall not be necessary for these to be members or participants at the trading venue.

12.In order to achieve better flexibility and to shorten the settlement cycle, the post-trading services shall be provided electronically. FEAS members shall endeavor to achieve full electronic transfer of information between the trading venue, its members or trading participants and the entity or entities providing post-trading services. For that purpose, all entities involved in the securities settlement process shall adopt and implement the principles of ISO 6166, ISO 15022 and ISO 20022 in their information and communication systems.

13.In addition to the provisions of paragraph 7 and 8, FEAS members and the post-trading institutions shall operate on a STP (straight-through-processing) basis using appropriate technology that supports it.

Article 31. Role of clearing

1.The clearing institution may serve the following functions:

- To execute clearing transactions within the limit of the regulatory framework,
- To maintain a guarantee fund and to keep books, records and information
- To make necessary payments from the guarantee fund within the limits of clearing transactions,
- To execute required transactions for collecting receivables caused by payments from the guarantee fund,
- To determine the principles regarding the assets acceptable as margin and obtaining, collecting, and completing processes of these assets,
- To issue margin calls and to ensure that margin amounts are increased to the required levels within the determined period,
- To ensure the deposit of additional margins, and the offsetting of open position or the transfer of margin

- To collect and manage margins and to make payment to rights-holder by liquidation of these margins if deemed necessary,
- To evaluate margins,
- To make recommendations determining the principles of default,
- In case of a default of a member, to take necessary measures,
- To recommend the level of initial and maintenance margin,
- To mark-to-market accounts and transfer cash and assets related with them,
- To allocate the delivery requests among the position holders,
- To notify the members about information on delivery within the determined time,
- To execute transactions to ensure an orderly delivery,
- To inform the trading venue in case of any financial inadequacy of a clearing member,
- To collect option premiums and make the option premium payments
- To execute all necessary functions and transactions within the scope of clearing of the transactions executed.

2. If possible, the clearing house shall assume all rights and obligations of the contracts within the rules and limitations of the regulation by assuming the role of seller against the buyer and buyer against the seller of the contracts traded on the trading venue. Since every contract has a buyer and a seller, the clearing house maintains a zero net position after each clearing day. The role of the clearing house as a central counterparty shall not change the guarantee limit related with the contracts or alter the final clients' obligations to each other in delivery.

3. The clearing institution ensures that the parties fulfill obligations arising from transactions executed on the trading venue. It shall have sound rules and procedures that are designed to guarantee that a timely action to contain losses and liquidity pressures arising from participant default can be taken.

Article 32. Central Counterparty

1. Central counterparty (CCP) services are provided to trading members of FEAS members by a legal person or a separate division within the stock exchange that interposes itself between the parties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer.

2. Where possible, FEAS members shall provide clearing and CCP services to clearing participants - a specific type of trading members that comply with certain criteria and signed an agreement of accepting clearing and CCP services.

3. Where possible, clearing participants of FEAS members can be separated into different categories depending on certain criteria to minimize risk of less solvent counterparties.

4. Where possible, CCP may have a separate clearing fund different from margin and guarantee contributions and other funds for risk management purposes for failed trade handling.

Article 33. Electronic form

1. FEAS members shall list or admit to trading only dematerialized or immobilized instruments.

2. For the purpose of paragraph 1 above, dematerialized instruments shall mean total elimination of physical printing and maintenance of securities by keeping only electronic and/or book entry accounts of the securities issued and the ownership entitlements thereto.

3. For the purpose of paragraph 1 above, immobilization shall mean storage and safekeeping of the physical unregistered securities issued while ownership entitlements and transfers thereof are still accomplished by electronic and/or book entries.

4. For derivative contracts settled by physical delivery, the provisions regarding the delivery process shall be determined by FEAS members in the related contracts. For contracts not subject to physical delivery the principle of cash settlement shall be applied.

Article 34. Settlement principles

1. Each FEAS member shall endeavor to set up or provide an efficient payment system for security transactions. This payment mechanism shall either be arranged directly with a credit worthy commercial bank having access to the SWIFT network and the inter-bank online funds clearance system, or preferably, with the central bank of the country.

2. Where commercial bank money is used, a risk management framework shall be in place in order to guarantee the robustness of the bank(s) used. Where both central and commercial bank facilities are offered, the choice shall be at the sole discretion of the participant.

3.All trades executed on a trading venue operated by a FEAS member shall be settled on a delivery-versus-payment (DVP) basis. Over-the-counter trades that are only being reported to the public, or to the regulatory authority, shall not be subject to that rule and their settlement type and cycle shall be negotiated between both counterparties involved.

4.The settlement finality and irrevocability moment shall be clearly defined by the rules of the clearing and settlement institution.

5.FEAS members shall ensure that both securities and cash are settled on a net basis for trades executed on the trading venues operated by them.

6.FEAS members, together with the clearing and settlement institution, shall define such settlement cycle that best serves the needs of the investors, whilst also facilitating cross-border trade and settlement.

7.FEAS members shall endeavor to achieve a unified settlement cycle of T+2 within a reasonable period of time in order to promote their market competitiveness. The cycle shall be rolling and its length shall not prevent a market participant from having entire disposal of the instruments or the proceeds resulting from a trade that has been executed but not settled yet.

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Article 35. Transaction reports

1.In real time or at least after the end of each trading day, FEAS members shall send an individual report on the trades executed on gross and/or net basis to their exchange members and other participants.

2.An aggregated report containing all executed trades shall be sent to the depositary institution and/or clearing house. Such report shall non-mandatory and non-exhaustively include the following information:

- Transaction code;
- Parties to the trade;
- Indication of the clearing members of the parties to the trade concerned;
- ISIN or ticker code of the financial instruments;
- Volume of the trades;
- Price;
- Currency into which the price of the trade is expressed;
- Settlement currency;
- Exchange rate at which the trade is settled;
- Indication whether the trade is for the account of the member concerned or for the account of its client;
- Other information needed by the depositary and/or clearing house;

3.The reports under paragraph 1 and paragraph 2 above shall serve as a basis for the timely clearing and settlement of all trades executed.

Article 36. Position Limits

1.To ensure order and integrity in transactions executed on the trading venue and providing a secure marketplace for transactions, FEAS members may establish absolute and/or percentage position limits.

2.Position limits may be determined on client or member basis and the instrument or contract group basis.

3.For derivative markets, limits can also be raised or lowered for transactions executed during the delivery month or for transactions executed for hedging purposes.

Article 37. Trade Margin

1.In order to execute transactions and hold open positions, FEAS members shall request their members and other trading participant to deposit trade margin to the clearing members and to the clearing institution respectively. Such margin deposits shall be mandatory for trading in derivatives.

2.The clearing institution determines transaction margin amounts and rates, securities accepted as margin, their valuation coefficient and period for deposit. Different margin amounts and margin rates on members or client accounts may be applied.

Article 38. Mark-to-Market, Margin Call and Additional Margin

1.Accounts holding positions shall be revaluated by applying the mark-to-market method. The mark-to-market process may be conducted either after the trading session or intra-day during the trading session.

2.Due to adverse market movements or other market conditions accounts with trade margins deposited by position holders may become of high risk. In such case the venue may request to deposit additional margin in order to maintain the positions of its members and clients.

3.FEAS members may apply additional risk management implementations such as pre- or post-trade risk management methods to ensure the safety of all transactions and positions held by market participants.

Article 39. Settlement flow

- 1.** Settlement of transactions that has been commenced shall be finalized irrespective of any circumstances that may affect it.
- 2.** Settlement cycle shall be initiated by the respective clearing and settlement institution after receiving information from both the trading venue and the clearing member of the counterparty to a trade executed.
- 3.** On the basis of the report received by the FEAS member, on the one hand, and the information received by the clearing members, on the other, the clearing and settlement institution shall check their consistency and if any errors or omissions are noticed, it shall notify both parties involved.
- 4.** If no errors are found, the settlement cycle shall start according to the rules and regulations of the clearing and settlement institution.
- 5.** FEAS members shall ensure that its members and other trading participants have appropriate information about the state of the settlement cycle of each of their executed but unsettled trades.
- 6.** If the central securities register is maintained by a separate institution, FEAS members shall ensure, together with its members and the clearing and settlement institution, that all settled transactions are forwarded to the register on a timely basis.

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Article 40. Failed trades handling

- 1.** In case of default, the clearing house may use the margins and guarantee fund contributions received for this purpose. FEAS members may implement additional methods to guarantee clearing by other sources such as sources of the clearing house itself.
- 2.** Defaulting members shall be subject to interest rate charges and other disciplinary actions.
- 3.** Margins collected and the guarantee fund shall be solely used in case of defaults of accounts as a result of trades executed on the venue.
- 4.** In order to minimize the risk of untimely settlement as a result of default by a trading participant, FEAS members shall endeavor to clear and settle all trades via a CCP. It can be the same entity as the clearing institution or a separate entity acting as counterparty to all trades executed on the trading venue.

5.In case that no CCP is involved in the settlement process, FEAS members shall ensure that the clearing and settlement institution applies an appropriate level of protection to all trades executed. The measures that contribute to the quality of protection may non-exhaustively include:

- Defaulted member's clearing deposit or the deposit of its clearing member;
- Proceeds from the sale of instruments belonging to the defaulted member;
- Pro-rata claim against a guarantee fund.

6.FEAS members shall ensure that a guarantee fund exists in order to safeguard against failure in fulfillment of obligations of clearing members to the clearing house. The amount of contribution to be deposited by the clearing members to the guarantee fund shall be determined by the clearing house. If needed, more than one guarantee fund may be established. The guarantee fund may be proportional with the position value of members or may be formed by using other statistical methods (e.g. VAR etc.).

7.The size and the methodology of the guarantee fund shall be in conformity with the specific characteristics of the market, as well as its size and liquidity.

8.FEAS members shall ensure that a fair buy-in procedure with minimum market impact exists in case that the defaulting member is unable to deliver the instruments that have been sold.

Article 41. Core and ancillary depository and clearing services

1.In order to guarantee smooth functioning of the market, FEAS members shall ensure that the depository and clearing institution provides all core services to the market participants, as well as those ancillary services that are essential and correspond to the needs of all parties involved. In that aspects, core services shall mean:

- Maintaining a central register for a particular issue in order to enable the settlement of the corresponding instruments;
- Central account provision to the entire market of the relevant financial instrument;
- Operation of a securities settlement system;
- Risk management;
- Margin setting.

2. Ancillary services shall be always related to the core services and non-exhaustively may include:

- Organizing a securities lending mechanism or cash/collateral management for the participants of a securities settlement system;
- Banking-type services facilitating securities settlement;
- Services facilitating the processing of corporate actions;
- Banking-type services facilitating the processing of corporate actions;
- Other services provided to issuers;
- Non-central safekeeping of financial instruments for the account of clients;
- Default handling;
- Clearing deposits management.

3. The segregation of the services between the depository and the clearing institution in the case where these are not the same entity shall be jointly decided by all stakeholders and shall be organized in accordance with the normal business practices.

4. The services provided shall be unbundled from one another. Service unbundling shall mean that any customer may purchase an unbundled service without compelling that customer to purchase also another unbundled service and each unbundled service will be available at a price applicable to this service.

Article 42. CSD interoperability

1. If the local regulatory authority or framework allows it, FEAS members may enter into appropriate arrangements with a central depository of another country in order to provide for the settlement of some or all trades concluded by its members and other trading participants under their systems. The initiative for such arrangement may originate from both the FEAS member and the depository institution.

2. In case that the initiative belongs to a third party depository institution, the competent authority according to the internal organization structure of the FEAS member may refuse the arrangement proposed only if it is not in line with the interest of all market participants and potentially may endanger market integrity and independence. The refusal shall be reasoned accordingly and sent to the depository institution.

3. In case that different counterparties to a trade use different depository institutions, FEAS members shall ensure that a smooth functioning communication link between the depository institutions exists that allows timely settlement.

4. Where possible, FEAS members shall seek regulatory approval of such arrangements and shall adopt effective mediation and escalation procedures.

5. Interoperable CSDs shall measure, monitor, and manage the credit and liquidity risks arising from each other.

Article 43. CCP interoperability

1. If the local regulatory authority or framework allows it, FEAS members may enter into appropriate arrangements with more than one clearing institution or CCP in order to provide for the clearing of the trades concluded by its members and other trading participants under their systems. The initiative for such arrangement may originate from both the FEAS member and the clearing institution/CCP.

2. FEAS members shall ensure that full interoperability and appropriate risk management procedures exist between all clearing institutions/CCPs before authorizing such arrangements.

3. In case that the initiative belongs to a third party clearing institution, the competent authority according to the internal organization structure of the FEAS member may refuse the arrangement proposed only if it is not in line with the interest of all market participants and potentially may endanger market integrity and independence. The refusal shall be reasoned accordingly and sent to the clearing institution/CCP.

4. All interoperable clearing institutions/CCPs shall be required to address and manage the potential spill-over effects from the default of a fellow CCP. Each CCP in a CCP link arrangement should be able to cover, at least on a daily basis, its current and potential future exposures to the linked CCP.

“Settlement cycle shall be initiated by the respective clearing and settlement institution after receiving information from both the trading venue and the clearing member of the counterparty to a trade executed.”

Information Disclosure

Article 44. General disclosure obligations

1. FEAS member shall require that whenever the issuer, or any person having requested without the issuer's consent, the admission of its securities to trading, discloses material and inside information, they shall at the same time file that information with the competent regulatory authority and, if possible, with the FEAS member itself.

2. Where securities are admitted to trading on more than one market in more than one country, the information shall be disclosed in a language accepted in the home country, as well as either in a language accepted in the host country or a language customary in the sphere of international finance.

3. Where securities are admitted to trading on a regulated market without the issuer's consent, the obligations under paragraph 1 above shall be incumbent not upon the issuer, but upon the person who, without the issuer's consent, has requested such admission.

4. The filing shall be made by electronic means.

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5. FEAS members shall ensure that the issuer, or the person who has applied for admission to trading without the issuer's consent, discloses regulated information in a manner ensuring prompt access to such information on a non-discriminatory basis. Investors may not be charged any specific cost for accessing this information.

6. The issuer shall use such media which may reasonably be relied upon for the effective dissemination of information to the public.

7. If possible, FEAS members shall ensure that there is at least one mechanism for centralised storage of the information disclosed.

Article 45. Annual Financial Report

1. FEAS members shall require that the issuers make public their annual financial reports within four months after the end of each financial year and shall ensure that these remain publicly available for at least five years.

2.The annual financial report shall comprise:

- The audited financial statements;
- The management report; and
- Other documents required under the local legislation.

3.The annual financial report shall be subject to auditing. FEAS members shall ensure that the audit report, signed by the person or persons responsible for auditing the financial statements, is disclosed in full to the public together with the annual financial report.

4.If the issuer is required to prepare a consolidated financial report, it shall be prepared according to its local legislative framework and shall truly reflect the financial position of the issuer and its subsidiaries.

Article 46. Interim Financial Report

1.The issuer of shares or debt securities shall make public interim financial reports, quarterly or half-yearly, respectively covering each three- or six-month period of the financial year as soon as possible after the end of the relevant period, but not later than two months thereafter in the case of half-yearly reports and one month in the case of quarterly reports.

2.FEAS members shall require that the issuers keep the interim financial reports public for at least five years.

3.The interim financial reports shall comprise:

- The condensed set of financial statements;
- An interim management report; and
- Other documents required under the local legislation.

4.If the issuer is not required to prepare a consolidated financial report, the condensed set of financial statements shall at least contain a condensed balance sheet, a condensed profit and loss account and explanatory notes on these accounts.

5.If allowed by the local regulatory framework, FEAS members may require less or no information to be published by certain issuers like:

- A governmental, a regional or a local authority or the central bank;
- An issuer exclusively of debt securities with large denomination per unit admitted to trading on a regulated market;

Article 47. Inside information disclosure

1.FEAS members shall ensure that issuers of financial instruments inform the public as soon as possible of inside information which directly concerns the said issuers.

2.An issuer may, on their own responsibility, delay the public disclosure of inside information, provided that such omission would not be likely to mislead the public and provided that the issuer is able to ensure the confidentiality of that information. In such cases, FEAS members shall require that the issuer inform the competent regulatory authority without delay of the decision to delay the public disclosure of inside information.

3.If possible, FEAS members shall require that issuers, or persons acting on their behalf or for their account, draw up and regularly update a list of those persons who have access to inside information.

4.For the purpose of practical implementation of this article, inside information shall non-exhaustively include:

- Change of the persons, exercising control over the issuer.
- Change in the members of the management and the control bodies of the issuer and reasons for the change;
- Amendments and/or supplements to the issuer's Articles of Association.
- Decision to transform the company of the issuer and to implement such transformation;
- Initiation of a liquidation procedure and all main stages related to such procedure.
- Initiation of a bankruptcy procedure for the issuer or its subsidiary and all substantial stages connected with the procedure.
- Acquisition, granting for use or disposition of assets of considerable value.
- Decision to conclude, terminate and rescind a contract for a joint enterprise.
- Change of the auditors of the issuer and reasons for the change.
- Announcement of the profit of the issuer.
- Material losses and the reasons thereof.
- Unforeseeable or unforeseen circumstance of extraordinary nature, as a result of which the issuer or its subsidiary has suffered damages;
- Decision of the General Meeting about the dividend type and amount, as well as on the conditions and the payment procedure thereof.
- Origination of a liability, which is essential for the issuer or for a subsidiary of theirs, including each non-fulfillment or liability increase.

- Arising of a receivable, which is essential for the issuer, with indication of its due date.
- Liquidity problems and measures for financial support.
- Increase in or reduction of the share capital.
- Confirmation of negotiations for acquisition of the issuer.
- Conclusion or fulfillment of essential contracts, which are not related to the issuer's usual activity.
- Position of the management body in connection with a tender offer made.
- Termination or substantial reduction of the relations with clients, who have formed at least 10 per cent of the revenues of the issuer for the last three years.
- Introduction of new products and developments on the market.
- Big orders (accounting for over 10 per cent of the average revenues of the issuer for the last three years).
- Development and/or change in the amount of the orders and the use of the production capacity.
- Termination of the sales of a given product forming significant part of the revenues of the issuer.
- Purchase of a patent.
- Grant, suspension of the use or withdrawal of an authorization to pursue business;
- Purchase, sale or a pledge imposed on holdings in commercial companies by the issuer or a subsidiary of theirs.
- A forecast drawn up by the issuer on its financial results or on its economic group where a decision has been taken to the effect that the forecast be disclosed to the public.
- Awarding of or a change in rating made by order of the issuer.
- Other circumstances which the issuer considers of material importance for the investors at taking a decision to acquire, to sell or to continue holding securities publicly offered.

Article 48. Disclosure of the acquisition or the disposal of major holdings

1. FEAS members shall ensure that, where a person or entity acquires or disposes of shares of an issuer, whose shares are traded on its venue and to which voting rights are attached, such shareholder notifies the issuer, and the FEAS member, of the proportion of voting rights of the issuer held by the shareholder as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 50 % and 75 %.

2.The provisions of paragraph 1 above shall not apply to:
Shares acquired for the sole purpose of clearing and settling within the usual short settlement cycle, or to custodians holding shares in their custodian capacity provided such custodians can only exercise the voting rights attached to such shares under instructions given in writing or by electronic means; and
The acquisition or disposal of a major holding reaching or crossing the 5 % threshold by a market maker acting in its capacity of a market maker.

3.The notification required shall include at least the following information:

- The situation resulting in terms of voting rights;
- The date on which the threshold was reached or exceeded;
- The identity of the shareholder.

4.The notification to the issuer shall be forwarded as soon as possible, but not later than four trading days after the date of coming into knowledge of the acquisition or the disposal, or the date the shareholder should have learned of it.

5.FEAS members shall require from the issuer of shares admitted to trading to make public without delay any change in the rights attaching to the various classes of shares, including changes in the rights attaching to derivative securities giving access to the shares of that issuer.

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6.The provisions of this article shall also apply to disposition or acquisition of own shares by an issuer.

Article 49. Information requirements for issuers whose shares or debt instruments are admitted to trading

1.FEAS members shall require from the issuer of shares or debt instruments traded on the venues operated by them, to ensure equal treatment of all holders of shares or debt who are in the same position.

2.The issuer shall ensure that all facilities and information are available as necessary to enable holders of shares or debt to exercise their rights.

3.In particular, the issuer shall:

- Provide information on the place, time and agenda of meetings, the total number of votes and the rights of holders to participate in meetings;
- Make available a proxy form, on paper or, where applicable, by electronic means;
- Designate a financial institution as its agent, through which instrument holders may exercise their financial rights; and

- Publish notices or distribute circulars concerning the allocation and the payment of dividends and the issue of new shares, including information on any arrangements for allotment, subscription, cancellation or conversion.

***“Issuer discloses regulated information
in a manner ensuring prompt access
to such information
on a non-discriminatory basis.”***

Derivative Instruments

Article 50. General principles

1.The provisions of the remaining titles referred to in these Recommendations shall also apply to the activities related to listing and trading of derivative instruments.

2.FEAS members shall continuously endeavor to achieve and maintain an integrated and efficient derivatives market separately from other cash markets.

3.FEAS members shall show their best efforts to cooperate with members in order to develop the derivatives market. In order to initiate cooperation between the trading venue and its members or other market participants FEAS members may establish member committees, where issues regarding market developments and other issues concerning the market are discussed.

4.FEAS Members shall act on their best efforts in subjects regarding training and information process of the market, investors, legal authorities, tax authorities and other market participants.

5.FEAS Members shall act on a best efforts basis in accordance with the local legal framework regulating the derivatives market.

Article 51. Contract Design and Launch

1.Derivative instruments may be listed on the derivative trading platform may include futures, options and similar instruments that meet the specifications of derivative instruments set by the local regulatory framework and/or authorities.

2.Minimum requirements of future and option contracts to be listed shall be regulated in the respective FEAS member's own rules. The approval of the local regulatory authority may be required for some or all of the contract specifications or requirements. The minimum contract requirements may include the following items:

- Underlying Asset
- Type of the contract
- Contract size
- Contract months
- Settlement
- Settlement Price
- Last Trading Day

- Final Settlement Day
- Delivery Date
- Daily Price Limits
- Margin Requirements
- Option type (American, European etc.)

Article 52. Information Disclosure of Derivative Instruments

1.FEAS members shall make public prices of transactions, trading volumes and publish appropriate statistics regarding derivatives markets. The provisions of Article 24 shall also apply.

2.In order to maintain a fair and transparent derivatives market the following information on contracts traded shall be published by FEAS members:

- Trading hours of contracts,
- Contracts traded, contract expiry dates and transaction prices of contracts,
- Temporarily non-trading contract types and maturities,
- Provisions related to transaction methods, position limits and information related to order types and spread transactions
- Information related to executed transactions at the end of the session and day, such as opening price, minimum and maximum price, settlement price, transaction volume and number of open positions,
- Decision and disciplinary penalties in general manner that concern parties effecting transactions,
- Names, surnames, or titles of Members, Member Representatives, Member Representative Assistants whose authority of effecting transactions is annulled or suspended,
- Circular letter, general letter, information, writing, news and other matters considered necessary for publication.

Article 53. Market Micro Structure

1.FEAS members may segment the derivatives trading platform into different markets either by underlying asset types, product types (futures, options etc.) or by other methods.

2.The principle of order and integrity in derivatives transactions refers to the fact that prices are formed in a free, competitive and transparent environment. FEAS members shall ensure that transactions at the derivatives markets are executed transparently in a free and competitive environment at all times.

3.The principles of order matching shall be determined by FEAS members. Orders shall be matched in an electronic environment or by other means

determined by the trading venue in accordance with the principles of priority in order matching. Orders on the derivatives market shall be matched according to the price/time priority principle. FEAS members may also decide on the application of other methods of order matching provided that the local regulatory authority approves this order matching method.

4. FEAS members shall determine trading principles such as order entry, types of orders, order matching, opening new markets, market information level of transactions, placed orders open to members and investors and all other related subjects in the related regulation.

Article 54. Spread Positions and Strategy Positions

1. With offering derivative products FEAS members shall enable spread trading which is simultaneously taking a long and a short position in two different contract months of the same contract type in order to profit from the difference between the two contract prices, or taking a call and a put option of two different maturities and strike price levels in the same options contract. Strategy trading is the simultaneous purchase and sale of two different contracts related with each other in order to achieve a particular financial result.

***“Exchange shall continuously endeavor to
achieve and maintain
an integrated and efficient derivatives market
separately from other cash markets.”***

Surveillance and enforcement

Article 55. General principles

1. FEAS members shall continuously endeavor to achieve and maintain an integrated and efficient financial market. They shall not permit that the integrity of the financial markets and public confidence be harmed by market abuse practices.

2. For the purpose of identifying violations to the principle of order and integrity, FEAS members shall establish a surveillance system. FEAS members shall make necessary additions and improvements to the surveillance systems as required and shall perform functions for the purpose of surveillance.

Article 56. Market abuse consists of insider dealing and market manipulation.

1. Inside information is any information of a precise nature which has not been made public, pertaining, either directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments. Information which could have a significant effect on the evolution and forming of the prices of a regulated market as such could be considered as information which indirectly relates to one or more issuers of financial instruments or to one or more related derivative financial instruments.

2. Market manipulation shall mean:

- Transactions or orders to trade:
- which give, or are likely to give, false or misleading signals as to the supply of, demand for or price of financial instruments, or
- which secure, by a person, or persons acting in collaboration, the price of one or several financial instruments at an abnormal or artificial level, unless the person who entered into the transactions or issued the orders to trade establishes that his reasons for so doing are legitimate and that these transactions or orders to trade conform to the accepted market practices on the regulated market concerned;
- Transactions or orders to trade which employ fictitious devices or any other form of deception or contrivance;
- Dissemination of information through a media, including the Internet, or by any other means, which gives, or is likely to give, false or misleading signals as to financial instruments, including the dissemination of rumors and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was

false or misleading.

3. FEAS members shall contribute to the prevention of market abuse and adopt structural provisions aimed at preventing and detecting market manipulation practices.

Article 57. Inside information

1. FEAS members shall prohibit any person who possesses inside information from using that information by acquiring or disposing of, or by trying to acquire or dispose of, for his own account or for the account of a third party, either directly or indirectly, financial instruments to which that information relates. This shall apply to any person who possesses that information:

- By virtue of their membership of the administrative, management or supervisory bodies of the issuer; or
- By virtue of their holding in the capital of the issuer; or
- By virtue of their having access to the information through the exercise of their employment, profession or duties; or
- By virtue of their criminal activities.

2. FEAS members' private rules and regulations shall prohibit any person subject to the prohibition from:

- Disclosing inside information to any other person unless such disclosure is made in the normal course of the exercise of his employment, profession or duties;
- Recommending or inducing another person, on the basis of inside information, to acquire or dispose of financial instruments to which that information relates.

3. The provisions under paragraph 2 above shall also apply to any person, other than the persons referred, who possesses inside information while that person knows, or ought to have known, that it is inside information.

4. Inside information shall be disclosed as laid down in Article 46.

Article 58. Market manipulation

1. Without being necessarily manipulative practices, the following shall constitute signals for potential market manipulation:

- The orders placed or the trades executed on a single venue constitute a significant proportion of the daily volume of the transactions in the same financial instruments, in particular when these activities lead to a significant change in the market price;
- The orders placed or the transactions concluded in financial instruments

by persons with a significant long or short positions in those financial instruments lead to significant changes in the price of the financial instruments, of related financial instruments or of underlying assets;

- The trades executed lead to no change in beneficial ownership;
- The orders placed or the transactions executed include position reversals in a short period and represent a significant portion of the daily volume of transactions in those financial instruments, and might be associated with significant changes in the price of the financial instruments;
- The orders are placed or the transactions are executed within a short time span within the trading session and lead to a change in the financial instruments price, which is subsequently reversed;
- The orders placed for transactions in financial instruments on a regulated market change the best bid or ask prices in those financial instruments or the orders are removed before they are executed;
- The orders are placed or the transactions are executed at a period of time, when reference prices, settlement prices or valuations are calculated, and lead to a change in the financial instruments' price, which has an effect on such evaluation prices;
- Persons place orders or execute transactions prior to or after these or persons linked to these disseminate false or misleading information;
- Persons place orders or execute transactions prior to or after they or persons linked to these produce or disseminate research or recommendations, which are erroneous, biased or demonstrably influenced by material interests.

Article 59. Supervisory powers

1. If allowed by the local regulatory framework, FEAS members shall be given all supervisory and investigatory powers that are necessary for the exercise of their functions. They shall exercise such powers:

- Directly; or
- In collaboration with other authorities; or
- By referral to the competent judicial authorities.

2. The powers under paragraph 1 above shall be exercised in conformity with the national law and shall include at least the right to:

- Have access to any document in any form whatsoever, and to obtain a copy of it;
- Demand information from any person, including those who are successively involved in the transmission of orders or conduct of the operations concerned, as well as their principals, and if necessary, to summon and hear any such person;
- Carry out on-site inspections;

- Require existing telephone and existing data traffic records;
- Require the cessation of any practice that is contrary to the provisions of the local law or the private rules and regulations;
- Suspend trading of the financial instruments concerned;
- Request temporary prohibition of professional activity.

3.The application of these powers shall be limited to the members and other trading participants, as well as to their clients, unless the local legislation provides for a different scope of the powers in question.

4.FEAS members shall ensure that the appropriate administrative or civil measures may be taken, or sanctions may be imposed, against the persons responsible where the provisions of the local legislation or members' private rules have not been complied with. These measures must be effective, proportionate and dissuasive.

5.Adequate sanctions shall be imposed for failure to cooperate in an investigation.

6.FEAS members shall ensure that an appeal may be brought before a court or other competent authority against the decisions taken to impose a sanction. The decision in the second instance shall be final and binding unless stipulated otherwise.

7.In case that an instrument is traded simultaneously on several markets operated by FEAS members, they shall cooperate with each other whenever necessary for the purpose of providing fair market conditions. A FEAS member may notify other FEAS member whenever it deems that the trade in an instrument is subject to market abuse.

Dispute resolution and arbitration

Article 60. General principles

1. FEAS members shall ensure that procedures and mechanisms are in place within their jurisdictions that enable aggrieved parties to resolve their disputes and handle complaints.

2. Unless the local law provides otherwise, subject to arbitration shall be disputes arising:

- Between members and trading participants with regard to trades executed on the venue operated by a FEAS member; and
- Between persons involved in the trading process on behalf of their members and trading participants.

3. The arbitration authority may also serve as a second instance when appealing decisions made by the competent authorities of the FEAS members.

4. Whether at the FEAS member or not, the dispute and complaint resolution facilities in place need to be accessible, expeditious, and offer prompt resolution. The dispute and complaint resolution procedures shall be based on the due process and fairness. Compensation may be offered, depending on the jurisdiction and the origin of the dispute.

5. Notwithstanding paragraph 4, FEAS members may establish a dispute committee to assist the management in investigating and settling disputes between its members or between customers of its members arising from executed transactions. The committee may be authorized to investigate all matters related to disputes, to listen to the parties and witnesses. At the end of the case review, the committee shall report the resolution of the dispute to the executive management. If the executive management considers the matter sufficiently clear, the case shall be discussed and a decision shall be made.

6. Depending upon local law and the nature of the dispute, the FEAS member may only be the first step in the resolution of a given dispute.

7. FEAS members or related organizations shall track disputes and complaints received, as well as the handling and the resolution thereof.

Article 61. Arbitration authorities

- 1.** If allowed by the local regulatory framework, FEAS members shall establish their own arbitration authority, or nominate an external one that can effectively handle dispute resolution where arising between their members and other trading participants.
- 2.** FEAS members shall ensure that such authority functions on the grounds of its own non-discriminatory rules and that it is competent to resolve disputes in the area of securities trading.

Regulative Integration

Article 62. General provisions

1. FEAS member exchange may plan as part of the development strategy to expand its global business operations and increase international participation in its markets. In order to expand operations globally, the integration to international regulative backbone is required. This part of FEAS handbook will be directed to the needs of correspondence to the regulative part of European countries.

2. Markets in Financial Instruments Directive (MiFID) is aimed to regulate markets comprehensively, increase the transparency and standardize disclosures required by market participants across the European Union's financial markets. Firstly introduced in November 2007 and had been revised and published as MiFID II.

3. MiFID II focuses on financial and regulatory aspects such as Market Infrastructure, Obligations, Transaction and Reporting requirements. MiFID II provides transparency for investors, ensuring that they are getting the fairest deal and well-functioning markets of different asset classes.

4. The concepts covered in the MiFID II define three types of trading venues Organized Trading Facility (OTF), Regulated Market (RM) and Multilateral Trading Facility (MTF).

5. Out of trading venue deals can be explained with several other concepts such as Broker crossing networks (BCNs), which is a system of investment firm internal liquidity flows management. MiFID II prohibits BCNs. Dark pools are venues that utilize pre-trade transparency waiver systems. Systematic internalisers (SI) are the investment firms that execute client orders out of OTF, RM, MTF.

6. FEAS members in order to comply with the new requirements, should extend some existing investor protection requirements along with MiFID II. The investor protection framework set out in MiFID II aims to ensure that financial venues and investment institutions act in the best interest of their clients, and use a number of different approaches in "all sufficient steps" possible.

7. MiFID II introduces more specific requirements for investment firms, it's essentially changing the way firms conduct due diligence and the products they recommend are suitable for their clients. Investment firms are required to have

policies and procedures in place to ensure they understand the nature and features of the products they select for their clients. Investment firms are required to assess whether alternatives are available that would better meet their client's objectives.

8. Investor protection includes certain remuneration policies that should be in place for investment firm consultants. Of course, many do have rules in this area like Remuneration Code. But MiFID II codify remuneration matters into rules for the first time, mostly ensuring that firms do not create remuneration policies that could encourage staff to recommend a particular financial instrument when it is inappropriate for the clients.

Article 63. Listing/Admission to Trading

1. FEAS trading venues must not suspend or remove instruments if this would cause significant damage to investors' interest.

2. Under MiFID II, MTF can apply to be registered as a specialized market for SMEs with special preferences. These SME markets are subject to a simplified regulatory regime. At least 50% of issuers on the market are to SMEs.

Article 64. Pre-trade transparency

1. Pre- and post-trade transparency requirements are being extended, and transactions are now sent on a daily basis to the National Competent Authority by the investment firms via the regulated trading venues or Approved Publication Arrangement (APA), Approved Reporting Mechanisms (ARMs)

2. Trading venues can apply to an Authority for more waivers from the pre-trade transparency obligation in certain circumstances

3. SIs are entitled to impose limits on the number of transactions with a single client which they undertake to enter at the published conditions

Article 65. Post-trade transparency

1. The transaction reports information should capture the information about trading date, instrument identification code, price notion, prices, notation of the quantity in measurement unit, venue of execution, quantity in measurement unit, price currency, notional amount, quantity, notional currency, publication data and time, type, venue of publication, transaction to be cleared, transaction identification code.

2. Self-report or utilise an assisted reporting arrangement with a third party are now allowed. RM make sure their participants report to APA, ARMs. FEAS member should report the volume and price within one minute from execution for equity and equity-like products. For non-equity products within fifteen minutes of execution, and five minutes starting from 2021. For non-equities, MiFID II establishes a wider set of conditions for deferrals and regime allows for a T+2 deferred publication. For equities, based on the size of the transaction and by asset class deferral period range expanded as well

Article 66. Trading venues

1. Trading venues must have in place effective systems to ensure that algorithmic trading cannot create disorderly trading and to manage them, including the implementation of circuit breakers.

2. All users using direct electronic access must be authorised under MiFID II or Capital Requirements Directive (CRD).

3. Tick sizes are the minimum sizes in which instrument can be traded. It is MiFID II requirement to adopt a tick size regime for each category of financial instrument for each trading venue

4. Management body must reflect an adequately range of experiences (collective knowledge, skills and experience). Management body must commit sufficient time to perform its functions.

Article 67. Central counterparties (CCP)

1. Under Markets in Financial Instruments Regulation (MiFIR), trading venues must have access to central counterparties, and vice versa.

2. Under MiFIR, CCP and trading venues are allowed non-discriminatory access to relevant price and data feed, information on the composition, methodology and benchmark and licenses

Article 68. Commodity derivatives

1. Commodity derivative that is traded in high volumes in multiple jurisdictions, the National Competent Authorities (NCA) of the trading venue where the largest volume of trading takes place shall set a single position limit which would apply to all trading in the same contract.

2. MiFID II establishes and enforces limits on the size of a net position which a person can hold at any time in commodity derivatives traded on a trading

venue or OTC.

Article 69. Investor protection

1. MiFID II prohibits firms from concluding Title Transfer Collateral Arrangements (TTCAs) with retail clients in any circumstances. For non-retail without proper consideration of the need of the TTCAs.

2. Under MiFID II, firms are required to undertake due diligence. As part of that due diligence, firms should consider the diversification of funds.

3. Firms must ensure clients' assets are safeguarded by means of differently titled accounts.

4. Under MiFID II, the performance bar raised significantly, because now firms have to make "all sufficient steps" to take the best possible results for clients.

Article 70. High frequency trading

1. Under MiFID II, high frequency trading was fully defined, thus surveillance over these operations became possible.

2. All HFT firms now have to be authorized. Those engaging in market making strategies will be required to enter into market making agreements.

Article 71. Dark pools

1. Dark pool's private venues were identified and mostly were deprived and reduced of their dominant role in equity trading.

2. Protection the integrity of the price formation process by limiting the amount of trading which occurs in 'dark pools'.