

The Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories took effect on 16 August 2012 (hereinafter - EMIR).

A number of regulatory standards implementing and supplementing EMIR were adopted along with EMIR. The majority of EMIR implementing regulations gradually come into force in 2013 and 2014. EMIR establishes the procedure and obligations to be followed in conclusion of transactions with both exchange-traded and over-the-counter financial derivatives (on a private basis).

Upon whom is EMIR binding?

It is binding on persons that are registered in the European Union (EU) or European Economic Area (EEA) and that trade both with exchange-traded and over-the-counter financial derivatives (on a private basis), including transactions with persons registered outside the EU or the EEA.

What are “transactions in financial derivatives” in the context of EMIR?

They are defined in Article 2(5) of EMIR and listed in paragraphs 4-10 of Section C of Annex I to Regulation No 2004/39/EK of the European Parliament and of the Council. For example: options, standardized forwards, swaps, forex and other transactions related to securities, currencies, interest rates and yield or other derivative instruments, financial indices or financial deals, the settlement of which is done by physical delivery or in cash.

Client’s obligations in meeting EMIR requirements

- Must receive LEI (Legal Entity Identifier);
- Must report transactions to newly created trade repositories according to the established procedure¹;
- When entering into a contract, the counterparties must provide for timely trade confirmation;
- When entering into a contract, the counterparties must provide for portfolio reconciliation in regard to outstanding transactions. Portfolio reconciliation frequency is determined by the total volume of transactions;
- When entering into a contract, the counterparties must provide for portfolio compression in regard to outstanding transactions (only where the number of outstanding transactions exceeds 499);
- When entering into a contract, the counterparties must provide for a certain dispute resolution procedure;
- Clearing must be performed for larger transactions (above 1 billion EUR (unless Article 11 of Commission Delegated Regulation (EU) No 149/2013 recommends a larger value)).

What is LEI and where can it be obtained?

Pre-LEI / LEI is a unique 20-character code that is designed in accordance with ISO 17442 Standard. Upon complying with a certain procedure, it is granted by accredited institutions that are listed here:

http://www.lei.org/publications/gls/lou_20131003_2.pdf

¹ You can conclude an agreement with the Bank whereby the reporting obligation on behalf of the customer is delegated to the Bank.

Please be informed that Bank's pre-LEI is 529900WIP0INFDAWTJ81.

In what way shall trading with financial derivatives be reported?

Data on transactions in financial derivatives must be reported by the counterparties no later than the next business day after conclusion, amendment or termination of the contract. The data must be reported to the accredited institutions that are listed here:

<http://www.esma.europa.eu/page/Registered-Trade-Repositories>

The reporting obligation falls on all persons registered in EU and EEA who carry out any transactions in financial derivatives. The reporting obligation falls on both counterparties to a transaction. If your counterparty is registered outside EU or EEA, then you must report the transaction and provide information about your counterparty.

Contact a respective trade repository to find out about the scope of information to be reported, its content and form.

How should a transaction be confirmed to the counterparty?

The counterparties confirm their transactions in financial derivatives electronically, if possible, doing so as soon as possible and at the latest in accordance with the table below (unless Article 12 of Commission Delegated Regulation (EU) No 149/13 provides for a different procedure).

Where at least one of the counterparties creates positions exceeding the clearing threshold (above 1 billion EUR):

Type of financial derivative transaction	Transaction execution	Timeframe
Credit default and interest rate swaps	Till 28 February 2014 (inclusive)	By the end of the second business day after the execution date
Credit default and interest rate swaps	From 1 March 2014	By the end of the first business day after the execution date
All other transactions in financial derivatives	Till 31 August 2013 (inclusive)	By the end of the third business day after the execution date
All other transactions in financial derivatives	From 1 September 2013 to 31 August 2014 (inclusive)	By the end of the second business day after the execution date
All other transactions in financial derivatives	From 1 September 2014	By the end of the first business day after the execution date

Where at least one of the counterparties does not create positions exceeding the clearing threshold (above 1 billion EUR):

Type of financial derivative transaction	Transaction execution	Timeframe
Credit default and interest rate swaps	Till 31 August 2013 (inclusive)	By the end of the fifth business day after the execution date
Credit default and interest rate swaps	From 1 September 2013 to 31 August 2014 (inclusive)	By the end of the third business day after the execution date
Credit default and interest rate swaps	From 1 September 2014	By the end of the second business day after the execution date
All other transactions in financial derivatives	Till 31 August 2013 (inclusive)	By the end of the seventh business day after the execution date
All other transactions in financial derivatives	From 1 September 2013 to 31 August 2014 (inclusive)	By the end of the fourth business day after the execution date
All other transactions in financial derivatives	From 1 September 2014	By the end of the second business day after the execution date

In what way should portfolio reconciliation with the counterparty be done in regard to outstanding transactions?

The counterparties agree in writing or in an equivalent electronic format on the procedure for portfolio reconciliation regarding their outstanding transactions. A special Bank procedure is in place for transactions taking place with or through the Bank, whereby the Bank will send you information for reconciliation of outstanding transactions, following the frequency of reconciliations as specified below.

Frequency of portfolio reconciliations is determined according to the table below (unless Article 13 of Commission Delegated Regulation (EU) No 149/13 provides for a different procedure).

Where at least one of the counterparties creates positions exceeding the clearing threshold (above 1 billion EUR):

Number of outstanding transactions	Frequency
500 and more	Every business day
51-499	Once a week
Under 51	Once a quarter

Where at least one of the counterparties does not create positions exceeding the clearing threshold (above 1 billion EUR):

Number of outstanding transactions	Frequency
Over 100	Once a quarter
100 or fewer	Once a year

In order to meet the aforementioned reconciliation obligation, it is considered that the Bank and you as a Bank's customer have agreed on the following transaction confirmation procedure:

1. When you as a customer receive a list of outstanding transactions for reconciliation, you should immediately check the outstanding transactions, their essential terms and assessment, and no later than within three (3) business days send your objections, if any, to the Bank (in case of daily reconciliations - within one business day).
2. If you have not sent any objections to the Bank within the time period as mentioned above, it is considered that you have reconciled the transactions, and the data is fully confirmed and correct.
3. If you have sent to the Bank your objections concerning certain outstanding transactions, it is considered that only the disputed transactions have not been reconciled, while the rest outstanding transactions, their essential terms and assessment are considered fully confirmed and correct.

What is the procedure for dispute resolution with regard to financial derivative transactions?

According to Article 15 of European Commission Delegated Regulation (EU) No 149/13, counterparties carrying out mutual transactions in OTC derivatives, when concluding a contract, should agree on the system as to how to settle disputes, should they have some. The system should contain a reference to dispute resolution mechanisms, for example, arbitration by a third party or a market survey, and it should register at least the length of time during which the dispute remains unresolved, the counterparties involved in the

dispute, and the amount over which the dispute is going on. It also should provide a separate mechanism for resolution of disputes that are not settled within five business days or disputes between the counterparties with respect to OTC derivative contracts whose value exceeds 15 million and which have not been executed for at least 15 business days.

It is considered that in order to comply with the aforementioned the Bank and you as a customer have agreed on the following dispute resolution procedure:

Any disputes referred to in your (as a Bank's customer) objections provided during the reconciliation process shall be addressed in a timely manner and in good faith through negotiations between the counterparties with the aim to find a solution for the dispute between them. In the event that a dispute regarding the disputed transactions is not settled within five (5) business days from the moment when the counterparty has sent its claim, the counterparties in order to find fast resolution of the dispute, upon notifying each other, shall go to higher ranked officials of the respective counterparty.

In the event that the dispute is not resolved within ten (10) business days, it shall be resolved in compliance with the procedure for dispute resolution set forth in the investment services agreement, concluded between the Bank and you, which governs contractual relations with regard to transactions in derivative financial instruments.

The Bank, as required by EMIR, assigns a Unique Transaction Identifier (*UTI*) to each transaction, which is indicated in the confirmation prepared by the Bank. The customer has to indicate his identifier assigned by the Bank when he reports to trade repositories.

The customer may authorize the Bank to carry out certain actions on his behalf, namely, to report his transactions to newly created trade repositories.

By signing the confirmation, the customer certifies that he has read this appendix; he fully understands his obligations and what actions should be taken in matters related to his relationship with the Bank in the context of implementation of EMIR.

customer is interested in signing an agreement with the Bank whereby the customer's reporting obligation is delegated to the Bank²;

customer is not interested in signing an agreement with the Bank and undertakes to perform the obligation of reporting to the trade repository as mandated by EMIR.

Signature, printed name, date, and place

Detailed information about EMIR is available on the homepage of European Securities and Markets Authority at:

<http://www.esma.europa.eu/page/European-Market-Infrastructure-Regulation-EMIR>

² For this purpose, the Bank and the customer sign a separate agreement. If the agreement is not concluded, the customer is responsible for reporting to the trade repository.