

part of eex group



Rules of Granting of an Additional Trading Limits to Participants of the Exchange

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Vilnius

APPROVED BY
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of the Chief Executive Officer of UAB
GET Baltic

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Rules of Granting of an Additional Trading Limits to Participants of the Exchange

Limits to Participants of the Exchange

Applicable from: 17th March 2020

1. General provisions

- 1.1. The Rules of Granting of an Additional Trading Limits to Participants of the Exchange (hereinafter - the Rules) of UAB GET Baltic (hereinafter - the Company) shall lay down the procedure of granting of an additional trading limit (hereinafter - the Trading Limit) to participants of the exchange (hereinafter - the Participant) and the principles of assessment of Participants' credit risk and other important circumstances in the process of granting the Trading Limit according to the Regulation of Trading on the Natural Gas Exchange of UAB GET Baltic (hereinafter - the Regulation of Trading on the Natural Gas Exchange).
- 1.2. The purpose of the Rules is to outline the procedure and requirements based on which, after the assessment of individual Participant credit risk quantitative (relative financial indicators) and qualitative (conditions of economic operations) factors, the credit rating of the Participant (hereinafter – Credit rating) and the Company's recommended Trading Limit as well as the validity, reduction, suspension and revocation of granted Trading limit is determined.
- 1.3. In the Company, the Trading Limits shall be granted to Participants based on the credit risk assessment model, as well as in other circumstances specified in the Rules
- 1.4. The Rules shall be binding on the Participants that wish to avail of the opportunity to obtain the Trading Limit envisaged in the Regulation on Trading on the Natural Gas Exchange, on the Board of the Company and on the employees of the Company whose work functions are related to the assessment of Participants' credit risk and to the granting of the Trading Limit.
- 1.5. The Principles of granting of Trading Limit provided in the Rules shall be applied when granting Trading Limits from 28 June 2018.

The Rules shall be published on the Company's website at www.getbaltic.com

2. Principles of granting of the trading limit

- 2.1. The Participant that wishes to avail of the opportunity to obtain the Trading Limit foreseen in the Regulation of Trading on the Natural Gas Exchange, which is granted by the decision of the Board of the Company, must present to the Company a written application requesting to grant the Trading Limit, specifying the amount of requested Trading Limit, and add the financial statements (the statement of financial position and the profit and loss statement) and the annual report (optional) of the past 2 (two) reporting years.
- 2.2. Upon receipt of the Participant's application, the Company, in the process of evaluating the Participant's quantitative data (financial statements) and qualitative data (credit bureau and/or other publicly accessible data), shall perform the Participant's credit risk assessment and determine the Participant's Credit Rating.
- 2.3. Should the Company, following check of the information provided by the Participant, establish that the Participant's Credit Rating is insufficient for granting the Trading Limit to the Participant, the Company shall, within 10 business days from the date the Participant presents

its application, notify the Participant about the results of credit risk assessment.

- 2.4. Upon receipt of the Company's response referred to in paragraph 2.3 of the Rules, the Participant may apply to the Company in writing with the request to grant the Trading Limit based on the evaluation of the Credit Rating of a related company, which either directly or indirectly has a decisive influence and/or has the majority of votes at the general meeting of shareholders of the Participant (hereinafter - the Related company).
- 2.5. With consideration of the Credit Rating determined for the Participant, the Participant's application, the ratio of the requested Trading Limit to the Participant's equity capital and the maximum amount of Trading Limit approved by the Board of the Company for one Participant assigned to a specific Credit Rating, the Company shall determine the recommended Trading Limit. The recommended Trading Limit shall be determined according to the procedure prescribed in chapter 4 of the Rules.
- 2.6. Upon evaluation of the credit risk assessment results and the determined recommended Trading Limit, the Company shall apply to the Board of the Company for the purpose of granting the Trading Limit.
- 2.7. Participants shall be notified in writing about the positive and/or negative decision regarding the granting of the Trading Limit adopted by the Board of the Company within 2 (two) business days from the date the respective decision of the Board of the Company is adopted.
- 2.8. In case the Board of the Company adopts a positive decision to grant the Trading Limit to the Participant based on the Credit Rating of the Related company, the Participant, to be able to avail of the granted Trading Limit, must provide the Company with the Related company's guarantee letter to secure the fulfilment of the financial obligations of the Participant.
- 2.9. The Company shall be entitled to refuse to grant the Trading Limit for the following reasons:
 - 2.9.1. Bankruptcy, restructuring, spinoff or liquidation proceedings are initiated in respect of the Participant that applied to the Company to have the Trading Limit granted;
 - 2.9.2. The Participant's equity capital is smaller than 1/2 of its authorized capital;
 - 2.9.3. The Participant fails to provide information and/or documents required for assessing its credit risk or it is established that any of the information provided by the Participant is inaccurate;
 - 2.9.4. The Participant fails to fulfil or delays fulfilment of its obligations to pay for the services provided by the Company;
 - 2.9.5. Any other circumstances (worsened financial situation, signs of failure to settle accounts with other providers, other circumstances associated with financial risks), which enable to justifiably believe that the Participant may be unable to fulfil its obligations, are established;
 - 2.9.6. The ratio of the Company's equity capital to the amount of the Trading Limits granted to Participants exceeds the maximum allowable amount approved by the Board of the Company.
- 2.10. The Company, with consideration of the other respective significant circumstances not specified in these Rules, shall be entitled to apply to the Board of the Company with the proposal to grant the Trading Limit to the Participant irrespective of credit risk assessment results.
- 2.11. Upon evaluation of the information provided by the Company, the Board of the Company shall adopt the final decision regarding the granting of the specific Trading Limit to the Participant.

3. Determination of the credit rating

- 3.1. Upon conducting of the Participant's credit risk assessment, one of the following 4 (four) Credit Ratings shall be determined for the Participant: A, B, C or D. Credit Rating A shall mean that the Participant's credit risk is low and that the Participant's capability to fulfil its obligations does not give rise to any doubts. Credit Rating D shall mean that the Participant's Credit Risk and the probability that the Participant will fail to fulfil its obligations are high, for which reason it is recommended to not grant the Trading Limit to the Participant.
- 3.2. Where the Trading Limit is granted to the Participant following assessment of the Related company's credit risk, then, irrespective of the Credit Rating determined for the Related company, the Trading Limit of the Participant may not be higher than the maximum allowable Trading Limit determined based on the criteria applicable to Credit Rating C.
- 3.3. The Participant's Credit Rating shall be determined based on the evaluation of the following factors affecting credit risk:
 - 3.3.1. The qualitative factors (conditions of economic operations): a subjective expert evaluation shall be conducted, which shall involve analysis of the general information about the company, its shareholders and occupied market share, evaluation of public negative information, fulfilment of obligations vis-à-vis other providers and reliability of financial statements. The qualitative evaluation shall account for 50% of the Credit Rating points;
 - 3.3.2. The quantitative factors (relative financial indicators): an objective expert evaluation shall be conducted, which shall involve analysis of solvency and profitability indicators and determination, according to the Altman Z model, of the forecast probability of the Participant's bankruptcy in the next two years. The quantitative evaluation shall account for 50% of the Credit Rating points

4. Determination of the trading limit

- 4.1. Following determination of the Participant's Credit Rating and based on the Participant's application and the maximum allowable trading limit per Participant approved by the Board of the Company, the Company shall determine the recommended Trading Limit.
- 4.2. The recommended Trading Limit shall be determined for the Participant based on the following criteria:
 - 4.2.1. The Credit Rating determined for the Participant;
 - 4.2.2. The Trading Limit amount specified in the Participant's application;
 - 4.2.3. The amount calculated following evaluation of the ratio of the maximum trading limit to the Participant's equity capital approved by the Board of the Company;
 - 4.2.4. The maximum allowable Trading Limit per Participant with the specific Credit Rating approved by the Board of the Company;
 - 4.2.5. The economic situation of the Republic of Lithuania and the European Union countries and other factors relevant to the market during that period.
- 4.3. The amount of the recommended Trading Limit shall equal the smallest of the amounts specified in paragraphs 4.2.2–4.2.4.
- 4.4. Following evaluation of the Participant's Credit Rating and the recommended Trading Limit

proposed by the Company, the Board of the Company shall adopt the final decision regarding the granting of the specific Trading Limit to the Participant.

- 4.5. Following evaluation of the other respective significant circumstances not specified in these Rules, the Board of the Company shall be entitled to grant the Trading Limit to the Participant for which Credit Rating D was determined.

5. Validity, reduction, suspension and revocation of the trading limit

- 5.1. Following adopting by the Board of the Company of the decision to grant the Trading Limit to the Participant, the Trading Limit shall be granted by 30 June (inclusively), for a term not exceeding 12 months.
- 5.2. In the process of evaluating the fulfilment of the Participant's obligations vis-à-vis the Company and/or other circumstances associated with financial risks, the Company may adopt the decision to reduce, suspend or revoke the Trading Limit granted to the Participant.
- 5.3. The Company shall adopt the decision to reduce granted Trading Limit in the presence of the following circumstances:
 - 5.3.1. The Participant's Credit rating changes or the Credit Rating points decreases without the change of Credit rating.
 - 5.3.2. Changes in the economic circumstances that may lead to higher risks of insolvency or delay in settlement, or other risks identified by the Company due to changes in financial, economic and / or legal situation (environment).
- 5.4. The Company shall adopt the decision to suspend the validity of the granted Trading Limit in the presence of the following circumstances:
 - 5.4.1. The Participant delays payment for the gas acquired on the natural gas exchange and/or for the services of the exchange for at least 1 day;
 - 5.4.2. The Company becomes aware of any circumstances, which may have a significant detrimental effect on the Participant's solvency.
 - 5.4.3. Changes in the economic circumstances that may lead to higher risks of insolvency or delay in settlement, or other risks identified by the Company due to changes in financial, economic and / or legal situation (environment).
- 5.5. Where the Company adopts the decision to reduce the Trading Limit granted to the Participant, the Company shall notify the Participant about the decision immediately and, by the start of the next trading session after the date the decision is adopted, reduces the Trading Limit. When the circumstances that led to the Trading Limit's reduction cease to exist, the Trading Limit, reduced by the Company, may be increased back to the Trading Limit set by the decision of the Board.
- 5.6. Where the Company adopts the decision to suspend the validity of the Trading Limit granted to the Participant, the Company shall notify the Participant about the decision immediately and, by the start of the next trading session after the date the decision is adopted, suspends the validity of the Trading Limit.
- 5.7. Where the Participant, in respect of which, by decision of the Company, the Trading Limit was suspended by reason of unfulfilled obligations, fulfils its obligations, i.e. settles accounts for the gas acquired on the natural gas exchange and/or for the services of the exchange, within 6 (six) days from the start of the delay, the Company, in the absence of other circumstances,

can make a decision to restore the validity of the Trading Limit granted to the Participant by the start of the next trading session after the date the obligations are fulfilled.

- 5.8. Where the Participant, in respect of which, by decision of the Company, the Trading Limit was suspended by reason of any circumstances that may negatively affect the Participant's solvency, within 6 (six) days from the date the decision to suspend the validity of the Trading Limit is adopted, justifiably disproves the circumstances due to which the Company adopted the decision to suspend the validity of the Trading Limit, the Company, in the absence of other circumstances, can make a decision to restore the validity of the Trading Limit granted to the Participant by the start of the next trading session after the date the circumstances are justifiably disproved.
- 5.9. The Company shall adopt the decision to revoke the granted Trading Limit in the presence of the following circumstances:
 - 5.9.1. In case of the Participant, in respect of which, by decision of the Company, the Trading Limit was suspended by reason of unfulfilled obligations, i.e. by reason of the Participant's failure to settle accounts for the gas acquired on the natural gas exchange and/or for the services of the exchange, within 6 (six) days from the start of the delay: the Company shall revoke the Trading Limit granted by decision of the Board of the Company and notify the Participant of this in writing within 1 (one) business day;
 - 5.9.2. In case of the Participant, in respect of which, by decision of the Company, the Trading Limit was suspended by reason of any circumstances that may negatively affect the Participant's solvency, and which fails to justifiably disprove, within 6 (six) days from the date the decision to suspend the Trading Limit is adopted, the circumstances by reason of which the Company adopted the decision to suspend the validity of the Trading Limit: the Company shall revoke the Trading Limit granted by decision of the Board of the Company and notify the Participant of this in writing within 1 (one) business day;
 - 5.9.3. By the Company's unilateral decision, in case of a substantial change to the economic, financial and / or legal situation, if the Company identifies new risks and / or circumstances that in essence correspond to *force majeure* as defined in the Civil Code of the Republic of Lithuania until they cease to exist and (or) the economic consequences thereof shall disappear and (or) the degree of risk will become acceptable to the Company.
- 5.10. The Participant shall be entitled to repeatedly apply to the Company to have the Trading Limit granted in case of material changes in the circumstances due to which the Trading Limit was revoked or due to which the Participant received a negative response regarding the granting of the Trading Limit. The Participant can repeatedly apply to the Company to have the Trading Limit granted not earlier than 30 calendar days from the day the Participant was informed about revocation of the Trading limit or received a negative response regarding the granting of the Trading Limit. The respective circumstances must be described in the Participant's application to grant the Trading Limit.