



ALPEX
Albanian Power Exchange

CLEARING AND SETTLEMENT PROCEDURES

DOCUMENT HISTORY

MODIFICATIONS INCLUDED IN THIS VERSION	MODIFICATION EFFECTIVE DATE	MARKET RULES SECTIONS OR OPERATIONAL PROCEDURES MODIFIED	MARKET RULES VERSION IF APPLICABLE
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A. INTRODUCTION AND INTERPRETATION

A.1 INTRODUCTION

A.1.1 Provision

A.1.1.1 The ALPEX Markets incorporates trading among participating generators, traders, consumers, suppliers, Transmission System Operator, Distribution System Operator and any other entity provided by the Law. It is a condition of the ALPEX Licences (refers to role as respective ALPEX Licences in Albania Market and refers to role as assignee of certain rights and obligation from KOSTT for operation of the organized electricity markets of Kosovo Market) that the ALPEX shall enter into and at all times administer and maintain in force a Procedures which:

- (a) sets out the terms of the clearing and settlement arrangements for the sale and purchase of wholesale electricity in the ALPEX Markets;
- (b) facilitate the achievement of the objectives set out in paragraph A.2.1.1 below;

A.1.1.2 This Procedures sets out the learning and settlement rules for participation ALPEX Markets.

A.2 CLEARING AND SETTLEMENT PROCEDURES OBJECTIVES

A.2.1 Objectives

A.2.1.1 The aim of this Clearing and Settlement Procedures is to facilitate the achievement of the following objectives:

- (a) to facilitate the efficient discharge by ALPEX of the obligations imposed upon it by ALPEX Licences.
- (b) to facilitate the efficient, economic and coordinated operation, administration and development of the Electricity Market in a financially secure manner;
- (c) to facilitate the participation of members engaged in the generation, supply, Trade and consumption of electricity in the trading arrangements under the Electricity Market;
- (d) to promote competition in the electricity wholesale market in Albania and Kosovo;
- (e) to provide transparency in the operation of the ALPEX Markets;
- (f) to ensure no undue discrimination between entities who are parties to the Clearing and Settlement Procedures;
- (g) to promote the short-term and long-term interests of consumers of electricity in Albania and Kosovo with respect to price, quality, reliability, and security of supply of electricity.
- (h) to execute the coercion means and the payments for the respective Exchange Member's and Clearing Member, in accordance with the defined rules and deadlines;
- (i) to hold the transaction documents; and

(j) to maintains and updates the Clearing and Settlement 's Calendar

A.2.1.2 Paragraphs A.1.1 to A.2.1 of this section A.1 are for information only and, without prejudice to the rights, duties and obligations set out in the Licences and legislation referred to therein, are not intended of themselves and should not be construed so as to create legally binding obligations as between or impose rights and duties on the Parties.

A.2.2 ALPEX Technical Decisions

A.2.2.1 The ALPEX Technical Decisions , as may be amended or modified from time to time, shall be construed as and form part of this Clearing and Settlement Procedures and shall be subject to the terms of this Clearing and Settlement Procedures. The ALPEX Technical Decisions set out the detail of Procedures to be followed by Parties in performing obligations and functions under this Clearing and Settlement Procedures.

A.3 INTERPRETATION

A.3.1 General interpretation

A.3.1.1 In this Clearing and Settlement Procedures, the following interpretations shall apply unless the context requires otherwise:

- (a) the table of contents, index and headings in this Clearing and Settlement Procedures, are for ease of reference only and do not form part of the contents of this Clearing and Settlement Procedures and do not and shall not affect its interpretation;
- (b) words in the singular shall include the plural and vice versa and the masculine gender shall include the feminine and neuter;
- (c) the word “including” and its variations are to be construed without limitation;
- (d) any reference to any legislation, primary or secondary, in this Clearing and Settlement Procedures includes any statutory interpretation, amendment, modification, re-enactment or consolidation of any such legislation and any regulations or Competent Authority orders made thereunder and any general reference to any legislation includes any regulations or Competent Authority orders made thereunder;
- (e) any references to sections, paragraphs and ALPEX Technical Decisions are references to sections, paragraphs and ALPEX Technical Decisions of this Clearing and Settlement Procedures as amended or modified from time to time in accordance with the provisions of this Clearing and Settlement Procedures;
- (f) any reference to another agreement or document, or any deed or other instrument is to be construed as a reference to that other agreement, or document, deed or other instrument as lawfully amended, modified, supplemented, substituted, assigned or novated from time to time;
- (g) any reference to a day is to be construed as a reference to a calendar day except where provided otherwise, and any reference to a year is to be construed as a reference to a period of 12 months;

- (h) any reference to a time is to be construed as a reference Central European Time (CET);
- (i) where any obligation is imposed on any Party pursuant to this Clearing and Settlement Procedures and is expressed to require performance within a specified time limit that obligation shall, where appropriate, continue to be binding and enforceable after that time limit if the Party fails to perform that obligation within that time limit (but without prejudice to all rights and remedies available against that person by reason of that person's failure to perform that obligation within the time limit);
- (j) capitalised words and phrases, acronyms, abbreviations and subscripts have the meaning given to them in the ALPEX Glossary except where otherwise specified;
- (k) a reference to a "person ose entity)" includes any individual, partnership, firm, company, corporation (statutory or otherwise), joint venture, trust, association, organisation or other entity, whether or not having separate legal personality;
- (l) where this Clearing and Settlement Procedures requires data to be published by the ALPEX, it shall be made publicly available (which, for the avoidance of doubt means available to all members of the public and not only to Parties);
- (m) where this Clearing and Settlement Procedures requires the ALPEX to publish information and no timeline is specified for such publication, it shall be required to publish such information as soon as reasonably practicable;
- (n) where no timeframe for performance is specified in respect of any obligation to be performed by a Party, then such obligation shall be performed within a reasonable time;

B. LEGAL AND GOVERNANCE

B.1 GENERAL PROVISION

B.1.1 Responsibilities

- B.1.1.1 ALPEX is responsible for the Clearing and Settlement of Transaction related to trading of Products on the ALPEX Markets, in its role as Central Counterparty.
- B.1.1.2 A Clearing Member is responsible to ALPEX for Clearing purpose as Counterparty in accordance with ALPEX Rules and this Procedures.
- B.1.1.3 The Clearing is performed through the electronic system (hereinafter EMCS) and related processes.
- B.1.1.4 The settlement for all ALPEX Creditors and ALPEX Debtors which give rise from Exchange Member Positions in Transactions, by creating a binding Contract to the Parties involved for the sale or purchase of electricity, shall be carried out through Settlement Bank appointed by ALPEX.
- B.1.1.5 ALPEX shall take appropriate measures to prevent operational problems of the systems it manages and seek to repair failures on malfunctions as soon as possible.
- B.1.1.6 This Procedures for Transactions occur on the Day-Ahead and Intraday Markets, as in force from time to time in accordance with decisions of the Regulatory Authority on the approval of any amendments as the case might be, shall be binding to the ALPEX, Exchange Members, Clearing Members, the other systems and payment/settlement bodies which collaborate with ALPEX, as well as all persons involved in the Transactions cleared by ALPEX.
- B.1.1.7 This Procedures is binding for persons that are not Clearing Members and Exchange Members in ALPEX Markets, but are contractually associated with them, by way of indication in the capacity of member of the Board of Directors, servant or agent of the Clearing Members and/or Exchange Member, as the case might be. They must ensure by appropriate means and in accordance with any instructions from ALPEX the compliance of them with the provisions of the Procedures as well as the fulfilment of their obligations emanating therefrom.
- B.1.1.8 The persons referred to the preceding paragraphs have a stand-alone obligation to be sufficiently familiar and comply with the provisions of this Procedures, though this shall in no way release them from other obligations that arise from law or are imposed by the competent, supervisory authority as applicable.
- B.1.1.9 The provisions of this Procedures shall be interpreted in good faith, in accordance with good business ethics and accepted market practices, with a view to ensuring the proper and smooth functioning of the electricity market. Should any provision of the Procedures become invalid, for any reason whatsoever, this shall not affect the validity and binding effect of the remaining provisions of the Procedures.
- B.1.1.10 The ALPEX shall not unduly discriminate between any Parties in any capacity under the Clearing and Settlement Procedures in exercising its rights and powers and performing its functions and obligations.

B.1.1.11 The ALPEX is authorised by all Parties to exercise and perform the rights, obligations and functions granted to it under the Clearing and Settlement Procedures to the extent required under, and in accordance with, the Clearing and Settlement Procedures.

B.1.2 Governing law

B.1.2.1 This Clearing and Settlement Procedures and any disputes arising under, out of, or in relation to the Clearing and Settlement Procedures shall be interpreted, construed and governed in accordance with the laws of Albania and/or Kosovo as the case might be.

B.1.3 Jurisdiction

B.1.3.1 Subject to the provisions relating to the Dispute Resolution Process referring to ALPEX Rules, the Parties hereby submit to the exclusive Jurisdiction and Law of the Courts of Albania and/or Kosovo as the case might be for all disputes arising under, out of, or in relation to the Clearing and Settlement Procedures.

B.1.4 Term

B.1.4.1 The Clearing and Settlement Procedures shall commence at the Cutover Time.

B.1.5 Priority

B.1.5.1 In the event of any conflict between any Party's obligation pursuant to any Legal Requirements and the Clearing and Settlement Procedures, such conflict shall be resolved according to the following order of priority:

- (a) requirements under Applicable Laws;
- (b) any applicable requirement, direction, determination, decision, instruction or rule of any Competent Authority;
- (c) applicable Licence;
- (d) ALPEX Rules- General Terms;
- (e) this Clearing and Settlement Procedures.
- (f) ALPEX Technical Decision
- (g) the Exchange Membership Agreement; and
- (h) the Clearing Framework Agreement

C. MEMBERSHIP AND OBLIGATION OF PARTY

C.1 CLEARING MEMBER

C.1.1 Eligibility of Clearing Member

C.1.1.1 A Clearing Member might be Direct Clearing Member or General Clearing Member.

C.1.1.2 A entity seeking to be admitted as a Clearing Member must:

- (a) pay the applicable Accession Fee;
- (b) submit to ALPEX a membership application, in accordance with the terms of this Procedures and ALPEX Rules.
- (c) establish to ALPEX satisfaction that they comply with the applicable requirements set out in section C.1.1, ALPEX Technical Decision and are therefore eligible to become a Clearing Member.

C.1.1.3 The Clearing Member capacity is not transferred or assigned to a third party.

C.1.1.4 In the event of a corporate transformation, in particular merger through absorption, which affects the operation of a Clearing Member, the following procedures is applicable:

- (a) if the corporate transformation results in the absorption of a Clearing Member by a legal entity that is not a Clearing Member, the absorbing legal entity must acquire the same capacity of Clearing Member as the absorbed Clearing Member in accordance with the provisions of this Procedures and ALPEX Technical Decision. The absorbing legal person takes the place of the absorbed Clearing Member with respect to all rights and obligations of the latter;
- (b) if the corporate transformation results in the absorption of Clearing Member by another Clearing Member , the absorbing Clearing Member takes the place of the absorbed Clearing Member with respect to all the rights and obligations of the latter. If the absorption involves Clearing Members with different clearing capacities, then the corporate transformation will be examined on a case-by-case basis by ALPEX having regard to the applicable provisions of the electricity and financial sector and the Procedures foreseen by a relevant Technical Decision of ALPEX;
- (c) in every case, the absorbing or absorbed Clearing Member, as the case might be, must notify ALPEX prior to the corporate transformation in accordance with the provisions of a relevant Technical Decision of ALPEX. The same Technical Decision shall also set out the specific procedures as well as all the technical terms and necessary details to which Exchange Members must adhere in the event of corporate transformations.

C.1.1.5 Clearing Members shall be responsible for the fulfilment of all their obligations in accordance with the provisions of this Procedures. These responsibilities shall include any action or omission on the part of their representative bodies, servant and agent, and in particular the person they use to access the Electricity Market Clearing

System (EMCS) for the purpose of Clearing the Transactions concluded in ALPEX Markets.

C.1.2 Direct Clearing Member

- C.1.2.1 An Exchange Member can be accepted by ALPEX as Direct Clearing Members in accordance with this Procedures.
- C.1.2.2 Direct Clearing Members are responsible for Clearing of their Transactions only which have created a binding Contract for the sale or purchase of electricity in the ALPEX Markets, meanwhile they are not entitled to undertake the Clearing of Transactions of other Exchange Members.
- C.1.2.3 As Direct Clearing Members, they perform Clearing Transactions through their own Clearing Accounts, or through another Clearing Account provided by a General Clearing Member. In such a case, the General Clearing Member is permitted to clear Transactions carried out by the Direct Clearing Member as a Exchange Member in ALPEX Markets on the basis of the declarations of section D.3.2.

C.1.3 General Clearing Member

- C.1.3.1 ALPEX accepts as General Clearing Members any commercial Bank licensed by Central Bank of Albania and/or Kosovo as the case might be in accordance with this Procedures provided they meet the conditions set out by respective ALPEX Technical Decision.
- C.1.3.2 General Clearing Member is responsible for the Clearing of Transactions conducted by Exchange Members in the ALPEX Markets, as these are declared that their Transaction shall be cleared in the EMCS by General Clearing Members in accordance with section D.3.2.
- C.1.3.3 General Clearing Member must has the necessary additional financial resources and operational capacity to perform the activity. In this course, they shall gather from their contracted Exchange Member all basic information provided to them with regard to Clearing in accordance with the terms of this Procedures in order to identify, monitor and manage any pose of risk. ALPEX may, through its Technical Decision, specify all necessary terms and technical or procedural details concerning the implementation of this paragraph.
- C.1.3.4 Upon the ALPEX request, any General Clearing Members shall provide information regarding to the criteria, arrangements and procedures they are implementing in order to provide their contracted Exchange Member the access to the ALPEX Markets and Clearing services. In every case, responsibility for ensuring that Exchange Member in ALPEX Markets comply with their obligations lies with the General Clearing Members contracted with the Exchange Member.

C.1.4 Non-Clearing Members

- C.1.4.1 Exchange Member in ALPEX Markets which are Non-Clearing Members are not entitled to participate in the Clearing of Transactions.
- C.1.4.2 Each Non-Clearing Member must, for the Clearing of Transactions it conducts, have appointed at least one (1) General Clearing Member in accordance with the terms

hereof and this Procedures. It shall be deemed that a Non-Clearing Member has appointed a General Clearing Member if the latter declares such Non-Clearing Member in accordance with section D.3.2.

C.2 Parties and Accession Process

C.2.1 General Provisions

C.2.1.1 A legal entity may only become a Party to the Clearing and Settlement Procedures in accordance with the terms of the Clearing and Settlement Procedures and the Clearing Framework Agreement.

C.2.1.2 Any legal entities that is at the relevant time an adhering party to the Clearing Framework Agreement shall be a Party to the Clearing and Settlement Procedures, in accordance with and subject to the Accession Process outlined below.

C.2.1.3 In order to become a Clearing Member, the Applicant must complete an application form using the standard form provided and send it to the ALPEX. This form must be signed by the Applicant's legal representative and accompanied by the necessary supporting documents, as stipulated by ALPEX, and moreover shall be deemed to constitute a solemn declaration by the Applicant that it fulfils the requirements for obtaining the requested capacity. The application form specifies all conditions which the Applicant must meet to become a Clearing Member which include that the Applicant shall.

(a) provide the payment Accession Fee; and

(b) when provided, execute to the Clearing Framework Agreement.

C.2.1.4 The Accession Fee is non-refundable.

C.2.1.5 Submission of an the application will be considered as acceptance by the Applicant of all the provisions of this Procedures and ALPEX Rules, including all Technical Decisions issued in implementation thereof, as well as of the relevant obligations relating to the requested capacity.

C.2.1.6 Upon submission of application, the Applicant must submit to ALPEX a memorandum which sets out the internal organisational procedures for exercising the activities of Clearing Member in order to satisfy the requirements of this Procedures and particularly the provisions of section C.2.4. This memorandum shall make specific reference to the organisational, operational, techno-economic infrastructure and adequacy, as well as to the mechanisms and procedures for Clearing and Settlement, internal control, risk management, accounting and financial reporting which the Applicant will have in place to fulfil its Clearing obligations.

C.2.1.7 if the application is for the capacity of General Clearing Member, reference must also be made to:

(a) the policy to be adopted and implemented by the Applicant, for determining the criteria, arrangements and procedures in order to that the Exchange Member to have access in the Clearing services;

- (b) the procedures for account segregation, risk monitoring and management to be implemented by the Applicant with respect to the Positions of Exchange Member in ALPEX Markets, including in particular procedures relating to:
 - (i) the distinguish of the Position of an Exchange Member from the Positions of the other Exchange Members in ALPEX Markets, in order to determine the manner in which Clearing and Settlement services are performed;
- C.2.1.8 ALPEX shall be entitled to disclose the submission of the application and make known the identity of the Applicant.
- C.2.1.9 ALPEX shall be entitled to request any other additional or supplementary documents or information it deems necessary for the purpose of examining the application or verifying the data submitted, as well as the declaration of representatives or employees of the Applicant, especially those who intend to perform the duties of Certified Clearer.
- C.2.1.10 In order to ascertain the capability and readiness of the Applicant, ALPEX may request its participation in mock Clearing sessions or other simulation scenarios of actual trading, Clearing and Settlement.
- C.2.1.11 Where the ALPEX receives an application from an Applicant, it must within 20 Days of receiving the application, send a Notice to the Applicant informing the Applicant of any further information or clarification which is required in relation to the application or where the application is incomplete. The ALPEX shall provide details of what clarification is required or where the application is incomplete.
- C.2.1.12 If the ALPEX does not receive the clarification or the additional information required within 10 Days of the Applicant having been informed by the ALPEX of the need for such clarification, the Applicant shall be deemed to have withdrawn the application. An Applicant may request additional time to provide any clarification or additional information and the ALPEX shall not unreasonably withhold consent to any such request.
- C.2.1.13 On receipt of a completed application form and any clarification or additional information requested by the ALPEX and provided that the Applicant fulfils the conditions for accession specified in the application form, ALPEX shall within 15 Days of final receipt of all required information provide the Applicant with an Clearing Framework Agreement. The Applicant must submit an executed Clearing Framework Agreement within 30 Days of receipt.
- C.2.1.14 Following receipt by the ALPEX of an executed Clearing Framework Agreement in accordance with paragraph C.2.1.13, the Applicant shall become a Party on the date specified in the Clearing Framework Agreement unless the ALPEX and the Applicant agree on a different date separately in writing.
- C.2.1.15 ALPEX may further specify, by virtue of its Technical Decision, the procedure for acquiring the capacity of Clearing Member.
- C.2.2 **Eligible to be a Clearing Member**
- C.2.2.1 A legal entity can be eligible to acquire the capacity of Clearing Member, when meet the requirements regarding to its operation in accordance with applicable provisions,

as the case may be, as well as the provisions set out in this Procedures. Fulfilment of these requirements constitutes a continuing and irrevocable obligation on the part of the Clearing Member and must be ensured for the duration of its operation in accordance with the terms hereof.

- C.2.2.2 An legal entity can be eligible to acquire the capacity of Direct Clearing Member, the Applicant must have received Admission Notice set out in the ALPEX Rules in order to acquire the capacity as a Exchange Member in accordance with the provisions of the ALPEX Rules.
- C.2.2.3 ALPEX may restrict a Clearing Member's access to Clearing if it deems this necessary in order to control its risk, implementing, where applicable, the provisions of section F.6.
- C.2.2.4 Clearing Members must grant ALPEX all necessary access to their services, information and data relating to Clearing services, so that ALPEX can verify their compliance with the terms and criteria it sets each time for their operation.
- C.2.2.5 Clearing Members must have the necessary financial, organisational and operational adequacy to safeguard and monitor the orderly fulfilment of their obligations emanating from the respective capacity.
- C.2.2.6 ALPEX may deny access to Clearing Members that meet the criteria it sets for acquiring such capacity in accordance with the provisions of this Procedures, only after properly justifying such denial in writing and on the basis of a comprehensive risk analysis.
- C.2.2.7 ALPEX shall conduct, at least once a year, a comprehensive review of Clearing Members' compliance with the terms and criteria for their acceptance in accordance with the stipulations of applicable provisions and according to the terms of this Procedures. ALPEX may, by virtue of its Technical Decision, specify any technical or procedural issues and necessary details in respect of the aforesaid review. To retain their capacity, Clearing Members must comply with any recommendations provided by ALPEX in the framework of the aforementioned review.

C.2.3 **Financial arrangements**

- C.2.3.1 Direct Clearing Members must have own funds of at least 20,000,000.00 ALL (twenty million Albanian ALL) or equivalent in at least 170,000.00 EUR (one hundred seventy thousand Euro).
- C.2.3.2 General Clearing Members must have own funds of at least 200,000,000.00 ALL (two hundred million Albanian ALL) or equivalent in at least 1,700,000.00 EUR (one million and seven hundred thousand Euro).

C.2.4 **Organisational adequacy of Clearing Members**

- C.2.4.1 Clearing Members must have the appropriate organisational, operational and technical-economic infrastructure and adequacy, along with suitable control and security mechanisms in the area of electronic data processing and internal control so as to ensure:

- (a) the constant monitoring, management and proper fulfilment of the obligations they undertake in connection with Clearing and Settlement Procedures in accordance with applicable provisions and the terms of this Procedures, for instance in connection with the provision of margin and their participation in the Default Fund, the payment of considerations, and in general the fulfilment of Cash Settlement obligations, as well as the monitoring of Positions and Credit Limits set under the terms of this Procedures;
- (b) in case of a General Clearing Members:
 - (i) the constant monitoring and observance of the criteria, rules and procedures they have adopted to enable Exchange Member to access the Clearing services provided by ALPEX;
 - (ii) the constant monitoring, management and proper fulfilment of the respective obligations arising from Transactions and Positions of Exchange Member towards General Clearing Member and of General Clearing Member towards Exchange Member;
 - (iii) the constant monitoring and management of Collateral provided by Exchange Member and the handling of any Defaults;
- (c) strict compliance with the terms, obligations and procedures they undertake on the basis of the memorandum submitted to ALPEX in accordance with the provisions hereof, as well as the making of any amendment and its communication to ALPEX in the event of a change in their terms of operation as Clearing Members; ,
- (d) the constant monitoring, management and fulfilment of their obligations to Competent Authorities, ALPEX and all systems and bodies, including the Settlement Bank, which are connected to the EMCS in the framework of the Clearing and Settlement of Transactions.

C.2.4.2 Clearing Members must have in place a suitable business continuity policy and recovery plan aimed at safeguarding their functions after any disaster, ensuring the timely recovery of operations and fulfilling their duties as Clearing Members in accordance with applicable provisions.

C.2.4.3 To fulfil their obligations in accordance with the provisions of this Procedures, Clearing Members must:

- (a) have established and have in place a Clearing service, manned by their Certified Clearers, as well as a risk management service in accordance with applicable provisions;
- (b) maintain the necessary Bank accounts, as appropriate, at a Settlement Bank in accordance with the procedures of ALPEX.

C.2.4.4 ALPEX may, by virtue of its Technical Decision, further specify the organisational requirements that must be met by Clearing Members in accordance with the preceding paragraphs.

C.2.5 Professional competence

- C.2.5.1 Each Clearing Member must have appointed at least one (1) Certified Clearer for the Clearing of the Transactions it undertakes. In every case, the Clearing Member must have an adequate number of Certified Clearers, taking into account the range of Transactions it undertakes for Clearing and the inherent risks.
- C.2.5.2 The Clearing Member must ensure the presence of a Certified Clearer in its Clearing and risk management service for the entire duration of Clearing in accordance with the procedures scheduled by ALPEX, and have a plan in place to replace such Certified Clearer in the event of his/her absence or impediment. A Certified Clearer can only be replaced by a person having the respective capacity.
- C.2.5.3 To carry out the duties of Certified Clearer, the candidate must meet the professional competence requirements set by ALPEX by virtue of its Technical Decision. These requirements shall be considered to have been met when, in accordance with the procedures of ALPEX, it is verified that the candidate has sufficient knowledge of the rules and technical procedures governing the operation of the EMCS and the ALPEX Markets.
- C.2.5.4 Clearing Members must declare to ALPEX the particulars of the Certified Clearers they appoint, as well as any change to such particulars. Appointed Certified Clearers must, with respect to the Clearing tasks they perform in the framework of their duties, provide ALPEX with all data and information immediately upon request.

C.2.6 EMCS users

- C.2.6.1 Only Certified Clearers duly authorised by respective Clearing Members, and authorised users of Exchange Member in ALPEX Markets where applicable in accordance with the provisions of this Procedures, may be EMCS users for the Clearing of Transactions. Clearing Members and Exchange Member in ALPEX Markets shall communicate to ALPEX the particulars of their users and any other relevant detail stipulated by the procedures of ALPEX, as well as any change to such particulars and details.
- C.2.6.2 Clearing Members must have specific internal control procedures in place for monitoring the tasks performed by EMCS users. They must also make available the above procedures to ALPEX and comply with any instructions from ALPEX concerning adherence to the relevant procedures.
- C.2.6.3 Clearing Members must ensure that their users operate the information systems in an appropriate manner and in accordance with applicable legislation as well as this Procedures, and they shall be liable to ALPEX for any loss resulting from an act or omission on the part of such users.

C.3 OBLIGATIONS ON PARTIES

C.3.1 General

- C.3.1.1 Each Party shall comply with the Clearing and Settlement Procedures and the Clearing Framework Agreement in exercising its rights and powers and performing its functions and obligations under the Clearing and Settlement Procedures.

- C.3.1.2 Without prejudice to the generality of paragraph C.3.1.1, no Party shall, either directly or indirectly, on its own or in conjunction with any other Party or person, obstruct the proper functioning of the ALPEX Markets in accordance with the Clearing and Settlement Procedures.
- C.3.1.3 Without prejudice to any other provision of the Clearing and Settlement Procedures or the Clearing Framework Agreement, each Party;
- (a) shall perform all its rights, functions and obligations under the Clearing and Settlement Procedures with the degree of care and to the standard;
 - (b) shall at all times comply with and maintain, and shall at all times procure compliance with and maintenance of, all consents, permissions, and Licences (and the conditions attaching to any exemptions) required to be obtained and maintained to participate in the ALPEX Markets or to be a Party according to the Clearing and Settlement Procedures for each capacity in which it acts as a Clearing Member under the Clearing and Settlement Procedures;
 - (c) shall pay all fees, levies, charges and other payments arising under the Clearing and Settlement Procedures as they become due;
 - (d) shall ensure that any information or data it is required to submit to the ALPEX, Auditors or any Party as required by virtue of being a Party or Exchange Member will be submitted in a timely manner to enable the ALPEX, Auditors or such other Party to perform their obligations and functions arising pursuant to the Clearing and Settlement Procedures; and
 - (e) shall co-operate with and provide all reasonable assistance to the ALPEX on request for the purposes of ALPEX performing its functions and obligations under the Clearing and Settlement Procedures
- C.3.1.4 Transactions are carried out in the ALPEX Markets with the participation of Exchange Member as counterparties thereto in accordance with the Trading Procedures.
- C.3.1.5 Each Exchange Member must, pursuant to the specific terms of this Procedures, declare in the buy or sell Order it enters in the ETSS for the purpose of concluding a Transaction, the Clearing Member that will be responsible to ALPEX for the Clearing of the relevant transaction and the respective Clearing Account
- C.3.1.6 Upon its conclusion, the Transaction is renewed for Clearing purposes as follows:
- (a) ALPEX is deemed to have accepted, as of the conclusion of the Transaction, the cash obligations and corresponding claims which emanate from matching Orders that constitute the Transaction;
 - (b) similarly, the Clearing Member declared on the basis of each matching Order automatically takes the place of the Exchange Member that entered it and becomes responsible to ALPEX as its counterparty for the Clearing of the relevant cash obligations it has undertaken.
- C.3.1.7 Any invalidity, invalidation or other defect in the Orders or instructions that formed the basis for the conclusion of the Transaction shall not affect the validity of the latter.

C.3.2 Information to ALPEX

- C.3.2.1 Clearing Members shall provide to ALPEX all data and information pertaining to the Clearing tasks they perform and the inherent risks, whenever ALPEX so requests.
- C.3.2.2 Clearing Members must, at the time of submitting supervisory data to the Competent Authorities in accordance with the rules governing their operation, communicate to ALPEX particularly the following:
- (a) their annual and/or half-yearly financial statements, audited and signed by certified auditors as the case might be;
 - (b) information on their capital adequacy, own funds, solvency ratio or large exposures, as well as the relevant financial statements for the reporting period in question as the case might be.
- C.3.2.3 Clearing Members must immediately notify ALPEX of any change that affected to the provided information to the ALPEX which has been considered for approving of them as a Clearing Member. They must also notify ALPEX regarding any issue that could jeopardize their orderly participation in Clearing. Such issues include – but are not limited to – a Exchange Member's Default in fulfilling its obligations to the Clearing Member, indications that the Clearing Member is temporarily unable to meet its obligations, or the occurrence of events affecting the operation of the Clearing Member, such as a decision to participate in a merger, de-merger or acquisition of its business or the imposition of penalties by the Competent Authorities.
- C.3.2.4 ALPEX shall, immediately upon request, make available to the Regulatory Authorities the data and information it keeps in accordance with the preceding paragraphs.

C.3.3 Obligations of Clearing Members

- C.3.3.1 Clearing Members except fulfillment of the provisions in section C.3.2, they are required to:
- (a) safeguard the smooth functioning of ALPEX in its role as a Central Counterparty, showing due diligence and care when participating in Clearing operations in order to ensure the orderly execution of Transactions;
 - (b) refrain from any act or omission that could damage the reputation of ALPEX and more generally the reliability and security of the electricity system;
 - (c) respond promptly, truthfully and fully to any request of ALPEX to provide data and information, fulfil their regular or ad hoc reporting obligations to ALPEX pursuant to the provisions of this Procedures, and cooperate with ALPEX without hindrance by participating in relevant meetings or allowing ALPEX to conduct on-site inspections at their premises;
 - (d) ensure that the computer equipment and software they have to access the EMCS are used in a reasonable manner and in accordance with this Procedures in order to ensure its smooth and secure operation;

- (e) constantly apply effective internal control procedures for the purpose of verifying the strict compliance of their personnel with applicable provisions, including those set forth in this Procedures;
- (f) ensure the Clearing and Settlement of Transactions is in compliance with applicable provisions and this Procedures;
- (g) provide complete information in writing to any Exchange Member with which they have a contractual relationship with respect to any obligation arising from the Clearing and Settlement of Transactions;
- (h) take all necessary steps to resolve any instance of Default or outstanding Clearing, in cooperation with all relevant Parties as the case may be;
- (i) take into consideration accepted practices governing the Clearing and Settlement of Transactions, as such are set out from time to time.

C.3.4 Obligations of Exchange Member

C.3.4.1 Exchange Member in ALPEX Markets must comply with the obligations they assume under the provisions of this Procedures. In the course of their self-standing obligations, they are in particular required to:

- (a) adhere to the Credit Limits allocated to them in accordance with the provisions of this Procedures;
- (b) take all necessary measures to ensure the orderly Clearing of Transactions;
- (c) act jointly with the Clearing Members with which they collaborate, particularly in instances of Default;
- (d) comply with any recommendations or instructions from ALPEX for the purpose of ensuring orderly Clearing.

C.3.5 Specific obligations of Clearing Members

C.3.5.1 The calculation of ALPEX's risk in respect of Clearing Members and the provision of collateral for the purpose of covering such risk in accordance with the provisions of this Procedures shall be carried out per Clearing Member and Clearing Account.

C.3.5.2 General Clearing Members are required to:

- (a) comply with their obligations to maintain in the EMCS the various kinds of Clearing Accounts which they use in accordance with the terms of this Procedures;
- (b) keep separate records and accounts that enable them to distinguish the assets and Positions which they hold in the EMCS on behalf of Exchange Member in the course of providing services to them.

D. CLEARING PROCEDURES

D.1 CLEARING

D.1.1 Basic rules of Clearing

- D.1.1.1 Clearing is carried out between ALPEX and Clearing Members.
- D.1.1.2 ALPEX shall perform the Clearing on the working days set out in the Clearing Day calendar. Through its Technical Decision, ALPEX shall specify start time of Clearing (T) process for each working day, the duration, and any other procedural matter with respect to the Clearing timeframe.
- D.1.1.3 Clearing and Settlement of Transactions is conducted on the basis of the Settlement time limit, as specified in this Procedures and the relevant Technical Decisions of ALPEX.
- D.1.1.4 ALPEX shall exercise any and all of its rights arising from Transactions against its counterparty Clearing Members.
- D.1.1.5 After T on each Working Day, ALPEX shall notify each Clearing Members in writing, which includes by any electronic means of communication that ensures the secure transmission of information, as specified by Technical Decision of ALPEX, regarding:
 - (a) the amount of Margin that each Clearing Member must provide to ALPEX per Clearing Account for all the Transactions which it clears and have been concluded by T in the ALPEX Markets, and
 - (b) the Positions it must settle, i.e. the cash obligations and corresponding claims per Clearing Account and Settlement Day.
- D.1.1.6 The Collateral and Positions per Clearing Account are separated by ALPEX in the EMCS and in the relevant records it keeps.
- D.1.1.7 In the event of Default of a Clearing Member, ALPEX shall exercise its rights on the Collateral provided by such Clearing Member and on its share account in the Default Fund pursuant to the specific provisions of section G.5.3.
- D.1.1.8 It is not permitted to assign rights or transfer obligations arising from Positions of any Transactions and no such Position may be transferred between Clearing Accounts, except in cases where provision to the contrary is made in this Procedures.

D.2 Clearing Accounts

D.2.1 General Provisions

- D.2.1.1 Clearing Accounts are used for the Clearing of Transactions.
- D.2.1.2 After being concluded in the ALPEX Markets, Transactions are automatically registered in the Clearing Accounts on the basis of the data provided by ETSS to the EMCS in accordance with section D.3.2 of this Chapter.
- D.2.1.3 Clearing Accounts are also used for the assignment by ALPEX of a Credit Limit to Clearing Members and, in the case of General Clearing Members, for the

corresponding distribution by them of a Credit Limit to Non-Clearing Members in accordance with the terms of section G.5.2.

- D.2.1.4 Clearing Accounts are opened by ALPEX and maintained in the EMCS in accordance with the terms of section D.2.2.
- D.2.1.5 Clearing Accounts are maintained per Exchange Member in ALPEX Markets. The Clearing Account is not permitted for more than one Exchange Member jointly.
- D.2.1.6 Direct Clearing Members manage its Own Clearing Account only.
- D.2.1.7 Each Direct Clearing Member shall hold at least one Own Clearing Account.
- D.2.1.8 Each Exchange Member which is Non-Clearing Member must hold at its own name at least one Clearing Account through a General Clearing Member.
- D.2.1.9 An Exchange Member may hold more than one Clearing Accounts.
- D.2.1.10 Each General Clearing Member holds at least a Clearing Account per Exchange Member for the Transactions for which it performs Clearing.
- D.2.1.11 Netting among Clearing Accounts held at a Clearing Member is not permitted.

D.2.2 Conditions for opening Clearing Accounts

- D.2.2.1 In case of the Direct Clearing Member, Clearing Accounts are opened in the EMCS by ALPEX upon their request the following information:
 - (a) The Clearing Member's identification details, namely:
 - (i) full legal name of the company;
 - (ii) legal form of the company;
 - (iii) the registration number and date on which the company was registered in the public register to which it belongs on the basis of its governing law;
 - (iv) Tax Registration Number of the company;
 - (v) the Exchange Member EIC code assigned to the Direct Clearing Member as a Exchange Member in ALPEX Markets.
- D.2.2.2 The details of the Direct Clearing Member's Bank account which will be used by ALPEX to perform payments or refunds in connection with the Clearing Member's share account in the Default Fund, to manage its collateral, including the instance of paragraph G.5.4, and for the fulfilment of all obligations towards ALPEX.
- D.2.2.3 In case of the General Clearing Member, Clearing Accounts for its contracted Exchange Member are opened in the EMCS by ALPEX upon the request the following information:
 - (a) The details of the General Clearing Member, in accordance with instances (i) through to (v) of point b), and the details of its Bank account which will be used by ALPEX to effect payments or refunds in connection with the Clearing Member's share account in the Default Fund, to manage its collateral, and for the fulfilment of all obligations towards ALPEX.
 - (b) the Exchange Member's identification details, namely:

- (i) full legal name of the Exchange Member 's company;
- (ii) legal form of the Exchange Member;
- (iii) the registration number and date on which the Exchange Member 's company was registered in the public register to which it belongs on the basis of its governing law;
- (iv) Tax Registration Number of the company;
- (v) the Exchange Member EIC code, and

D.2.2.4 the Bank account details of the Exchange Member or Clearing Member for the purpose of effecting any cash refunds in the event of Default, in accordance with section G.5.4.

D.2.3 Clearing Account closure

D.2.3.1 A Clearing Account will be closed by ALPEX upon receipt of an account closure request, or upon Voluntary Termination of the Clearing Member that holds the account.

D.2.3.2 To avoid any doubt, a Clearing Account shall be closed if it has no open Positions or other outstanding obligations and corresponding rights arising from Transactions.

D.3 CLEARING PROCEDURE

D.3.1 General provisions

D.3.1.1 This section sets out the terms and conditions under which Transactions are cleared through the EMCS. The Clearing procedure involves the participation of Clearing Members and ALPEX, as well as Exchange Member in ALPEX Markets where applicable in accordance with the specific provisions of this section.

D.3.1.2 The Clearing of Transactions is carried out through the EMCS individually for all Transactions registered in the EMCS on the Clearing Day within the scheduled working hours as decided by ALPEX.

D.3.1.3 Clearing involves the following separate procedures:

- (a) notification from ETSS to EMCS of Transactions to be cleared;
- (b) finalisation of Trades;
- (c) calculation, at a specific time of the day, of ALPEX Debitor and ALPEX Creditor;
- (d) valuation of Collateral;
- (e) calculation and coverage of Margin requirements;
- (f) calculation and monitoring of Credit Limits, and notification to the ETSS of the Credit Limits per Exchange Member in ALPEX Markets;
- (g) announcement of Clearing results to Clearing Members;
- (h) Cash Settlement and issuance of the relevant statements of such settlement.

D.3.1.4 Any procedural or technical details pertaining to Clearing shall be determined in accordance with the Technical Decisions and Procedures of ALPEX.

D.3.2 Undertaking of Clearing

- D.3.2.1 Before the commencement and/or during of each Trading Day, in accordance with the procedures of ALPEX, each General Clearing Member shall declare in the EMCS the Exchange Members whose Transactions in ALPEX Markets is going to be cleared by it, and the respective Credit Limit, as defined in accordance with the provisions hereof, which it allocates for those Exchange Members in respect to the relevant Delivery Day.
- D.3.2.2 All actios in paragraph D.3.2.1 shall be deemed a statement of assignment of the Clearing of the relevant Transactions by Exchange Member to the General Clearing Member and correspondingly a statement of undertaking of Clearing by the General Clearing Member. The General Clearing Member is not permitted to undertake the Clearing of any Transactions for which it has not made the aforementioned declaration.
- D.3.2.3 Each Exchange Member which act as Direct Clearing Member may, on each Trading Day, enter Orders in the ETSS and conduct Transactions only up to the Credit Limit allocated to it for the relevant Delivery Day in accordance with the provisions hereof.
- D.3.2.4 Non-Clearing Members that have not been included in the declaration of a General Clearing Member, in accordance with this section D.3.2, are not permitted to enter Orders in the ETSS.

D.3.3 Notification of Transactions to be cleared

- D.3.3.1 After finalization of Trades, ETSS shall electronically transmits to EMCS the detailed data on the Transactions concluded. The transmitted data shall be checked in accordance with the provisions of the following paragraphs.
- D.3.3.2 The detailed data on Transactions must include the following:
- (a) ALPEX Markets (Day-Ahead or Intraday);
 - (b) EIC code of the Exchange Member;
 - (c) EIC code of the asset for which the Transaction was concluded, as applicable;
 - (d) Order Type;
 - (e) Buy or Sell Transaction;
 - (f) Quantity and Price of transaction;
 - (g) Date and time of Trade;
 - (h) Market Time Unit(s) to which the Transactions relate;
 - (i) Trading currency in EUR;
 - (j) Clearing Account Code

D.3.4 Finalisation of Trades

- D.3.4.1 Upon completion of the checks and the remedying of any omissions and inconsistencies in accordance with section D.3.3, the Transactions communicated

as above are finalised for Clearing purposes, to form the total Positions per Clearing Account and a binding Contract for Parties involved.

D.3.4.2 After their finalisation, Transactions shall not be subject to any amendment, correction or supplementation by EMCS.

D.3.5 **Calculation and netting of Positions**

D.3.5.1 After the finalisation of Trades, EMCS calculates the Positions (ALPEX Debitor and ALPEX Creditor) of Clearing Members per Clearing Account.

D.3.5.2 To calculate the Positions per Clearing Account, EMCS at a specific time T on each working day calculates for each Clearing Member and Clearing Account the net obligations and net claims arising on the basis of the Transactions which have been conducted in the ALPEX Markets and communicated to EMCS prior to T.

D.3.6 **Collateral valuation**

D.3.6.1 For the purposes of meeting Margin and Credit Limit requirements, EMCS calculates the total value of collateral provided per Clearing Account, taking into consideration the amount of cash deposited as well as the monetary value and period of validity of the letters of guarantee deposited.

D.3.7 **Provision of information and data verification**

D.3.7.1 Clearing Members which participate in the Cash Settlement of Transactions, pursuant to the terms hereof, are required to provide all data and information requested by ALPEX in connection with the Accounts prescribed in this Procedures which they manage, or with the obligations arising therefrom, as well as any change to such data and information. They must also notify ALPEX regarding any change to their particulars on the basis of which the relevant accounts were opened.

D.3.7.2 In the course of collecting and verifying of the declared data for the opening and keeping of the above accounts, ALPEX is entitled to exchange any information with the Settlement Bank, banks that hold the collateral provided in favour of ALPEX, as well as with any other entity involved in the Clearing and Settlement of Transactions, while adhering to provisions on professional secrecy.

D.3.8 **Communication between Parties**

D.3.8.1 Communication between ALPEX and Clearing Members shall be in writing, which includes documents in electronic form, unless otherwise specified in ALPEX Rules and this Procedures.

D.3.8.2 Each announcement by ALPEX to Clearing Members with regard to Clearing and its results, in accordance with the provisions of this Procedures, shall be transmitted electronically through the EMCS or Nominated Electronic Medium or via alternative mechanisms maintained by ALPEX in cases of malfunctions or other exceptional occurrences.

D.3.8.3 For the purpose of communicating with ALPEX, the address of the Clearing Member shall be that specified by the Clearing Member in its application for acquiring the

relevant capacity. Any change of address of the Clearing Member must be notified in writing to ALPEX.

D.3.8.4 In respect of matters relating to the Clearing and Settlement of Transactions, ALPEX shall communicate with the Certified Clearer declared to ALPEX by the Clearing Member. In any other matter relating to the Clearing Member, ALPEX shall communicate with the contact person of the Clearing Member.

D.3.8.5 For the purpose of communicating with ALPEX, Clearing Members must contact ALPEX through its details contacts are provided at ALPEX website.

E. DEFAULT FUND

E.1 GENERAL PROVISIONS

- E.1.1.1 ALPEX sets up a Default Fund for the purpose of covering the risk relating to the Clearing operations that it performs, in accordance with ALPEX Rules and the Procedures.
- E.1.1.2 The Default Fund establishes a pool of assets with the contributions of Clearing Members and this Fund belongs jointly (pro indiviso) to the Clearing Members in proportion basis, in respect of their contribution therein. The Default Fund will be maintained in bank account managed by ALPEX.
- E.1.1.3 The available fund at any time in the Default Fund, as determined in accordance with the terms hereof, constitute a financial collateral arrangement in favour of ALPEX as collateral taker, and ALPEX shall be entitled to use the Default Fund in compliance with the provisions of section E.2.6.
- E.1.1.4 ALPEX shall manage the Default Fund for the purpose of covering losses arising from Default in accordance with section G.5.3.
- E.1.1.5 The Default Fund is fund for sharing of risk among Clearing Members. In case of a Default of one Clearing Member and if the share account of this Clearing Member is insufficient to cover a loss arising from its Default, the remaining portion of the loss shall be covered by the share accounts of the other Clearing Members participating in the Default Fund on a pro rata basis, thereby proportionately reducing their contribution therein.
- E.1.1.6 The size of the Default Fund and of the contributions of Clearing Members therein is determined in accordance with the terms of this Chapter. The minimum size of the Default Fund cannot be less than the aggregate sum of Minimum Contributions of the Clearing Members as stipulated in this Chapter.
- E.1.1.7 The participation of each Clearing Members in the Default Fund is determined by its share account. The share account consists of the Clearing Member's contributions to the Default Fund, plus any the incomes corresponding to such account, minus all kinds of expenditures arising from the negative bank interest, bank commission or fees of Default Fund account in accordance with section E.2.7, as determined by the procedures of ALPEX. Incomes and expenses are allocated to each Clearing Member share account in the Default Fund in proportion to the size of such account.
- E.1.1.8 Contributions to the Default Fund by Clearing Members are cash deposit to respective bank account that shall be indicated by ALPEX. In the event that certain cash amount held in share account shall be returned, as applicable pursuant to the terms hereof, ALPEX shall transfer the relevant amount in the Bank account of the respective Clearing Member.
- E.1.1.9 The cash amount of Default Fund shall be held in an account at the Settlement Bank. ALPEX shall keep records related to cash amount Contribution to the Default Fund per Clearing Member share account by means of corresponding accounting entries.

E.1.2 Share accounts

- E.1.2.1 Each Clearing Member keeps only one share account in the Default Fund. This account is opened upon acquisition of the capacity of Clearing Member.
- E.1.2.2 Any instances of merging, splitting or deactivation of share accounts as a result of corporate actions or other events with respect to Clearing Members, shall be regulated by Technical Decisions of ALPEX.
- E.1.2.3 A Clearing Member share account shall be deleted in the event that the capacity of Clearing Member is lost, as stipulated in each case by the provisions of this Procedures.

E.1.3 Initial and Minimum Contribution

- E.1.3.1 Clearing Members must make an Initial Contribution to the Default Fund in order to acquire the relevant capacity.
- E.1.3.2 The amount of the Initial Contribution is set by virtue of an Technical Decision of ALPEX.
- E.1.3.3 The Minimum Contribution of Clearing Members to the Default Fund, as stipulated on the basis of the following provisions, may not be less than the Initial Contribution (Minimum Contribution).

E.2 Rules for calculating the Default Fund and share accounts of Clearing Members

E.2.1 The value of Clearing Member share account

- E.2.1.1 The value of each Clearing Member share account in respect of any current calculation period shall be whichever is greater between the rate (Contribution Rate), as set by ALPEX, multiplied by the sum of the average Margin of all Clearing Accounts of the Clearing Member for the calculation period, and the Minimum Contribution. More specifically, the value of the share account (μ_i) of Clearing Member (i) is calculated using the following formula:

E.2.1.2
$$\mu_i = \max \left(\alpha \cdot \sum_{k=1}^{N(i)} \left(\frac{\sum_{j=1}^{M_{k,i}} M(kij)}{M_{ki}} \right), \text{Minimum Contribution (i)} \right) \text{ where:}$$

- (a) $N(i)$: The total number of Clearing Accounts of Clearing Member (i) during the calculation period.
- (b) $M(k,i,j)$: The Margin of Clearing Account (k) of Clearing Member (i) computed during the daily calculation of obligations and claims of Clearing Day (j).
- (c) $M_{k,i}$: The number of days of Clearing of the Market in the previous calculation period, for which non-zero Margin was calculated for Clearing Account (k) of Clearing Member (i).
- (d) $\text{Minimum Contribution (i)}$: The minimum required contribution to the Default Fund of Clearing Member (i) in accordance with the provisions of section E.1.3.

- (e) α : The Contribution Rate, set by virtue of a relevant Technical Decision of ALPEX

E.2.2 The monetary value of Default Fund

- E.2.2.1 The monetary value of the Default Fund is calculated on a monthly basis in accordance with this Procedures. The amount of the Default Fund is calculated within the first three (3) working days of each current calculation period. Following its calculation, ALPEX shall communicate the relevant amount to Clearing Members and announce it on its website.
- E.2.2.2 The total monetary value of the Default Fund derives from the sum of the share accounts of all Clearing Members as calculated in accordance with section E.2.1.
- E.2.2.3 ALPEX shall determine all relevant issues and necessary details by its Technical Decisions.

E.2.3 Payments due to the readjustment of share accounts

- E.2.3.1 Following the notification of Clearing Members regarding the amount of their share accounts in the Default Fund, ALPEX shall provide the exact amount to be paid by:
 - (a) Respective Clearing Members to the Default Fund, or
 - (b) the Default Fund (through ALPEX) to respective Clearing Members.
- E.2.3.2 If the value of any share account of a Clearing Member during the previous calculation period falls short of the share account value that must be maintained by the Clearing Member during the current calculation period, the Clearing Member shall pay the difference in cash into the Default Fund within three (3) working days from the notification by ALPEX regarding the value of share accounts of Clearing Members in the Fund during the current calculation period.
- E.2.3.3 If the value of any share account of a Clearing Member during the previous calculation period is greater than the share account value that must be maintained by the Clearing Member during the current calculation period, the difference shall be paid in cash from the resources of the Default Fund through ALPEX to the Clearing Member within four (4) working days from the notification by ALPEX regarding the value of share accounts of Clearing Members in the Fund during the current calculation period, after the obligations of Clearing Members under paragraph E.2.3.2 have first been paid.

E.2.4 Extraordinary contributions

- E.2.4.1 By decision of ALPEX, extraordinary contributions shall be paid by Clearing Members to the Default Fund in the event of:
 - (a) activation of the Default Fund to replenish its cash amount that were used to cover the relevant loss due to the Default of a Clearing Member;
 - (b) considerable changes with regard to market prices and other cases shall affect the size of the required Default Fund.

E.2.4.2 Following the paragraph E.2.4.1(a), ALPEX shall calculate the amount of extraordinary Contributions of each Clearing Members on the basis of their new participation rate in the Default Fund.

E.2.4.3 In the cases of the preceding paragraphs ALPEX shall, for the purpose of calculating the size of extraordinary contributions, apply the Procedures under section E.2.1 or, if consider necessary, it may include additional parameters in the calculation to protect the ALPEX Markets. Such additional parameters refer in particular to the Contribution Rate to the Default Fund and its calculation period. ALPEX shall without delay communicate its relevant decision to the Regulatory Authority.

E.2.4.4 Where a decision has been taken for extraordinary adjustment of the Default Fund, ALPEX shall provide the methodology and parameters on the basis of which the adjustment will be made, which may differ from the methodology followed for its regular adjustment, taking into account the reasons that necessitated such adjustment. It shall also specify the period within which Clearing Members must provide the additional contributions.

E.2.5 Late payment of contributions to the Default Fund

E.2.5.1 In the event of late payment of a Clearing Member's contribution to the Default Fund, such Clearing Member shall not be permitted to undertake Transactions for Clearing until it has fulfilled its relevant obligation. Likewise, Exchange Member shall be excluded from carrying out Transactions if these are cleared by the Defaulting Clearing Member.

E.2.6 Use and replenishment of Default Fund

E.2.6.1 ALPEX may make temporary use of the Default Fund resources as collateral taker in exercise of its right of use under section E.1.1.3 in the event of a Clearing Member's Default. ALPEX shall make such use to meet liquidity requirements in connection with outstanding obligations of the Defaulting Clearing Member which ALPEX undertakes to address the aforesaid Default in accordance with the provisions of section F.2.2, including all kinds of expenses relating to the fulfilment of obligations.

E.2.6.2 If Default Fund is used pursuant to the preceding paragraph, than this Fund shall be replenished within a reasonable time and certainly before using the Default Fund to cover any loss caused by Default, as set out in section G.5.3.

E.2.6.3 If the first Default is not yet resolve, and another Default or Defaults occur during this period, the usage of amount from Default Fund for each Defaults in accordance with the preceding paragraphs shall take place sequentially and in chronological order, first happening first covering, according to the terms of section G.5.3, the loss of each previous Default.

E.2.7 Resources, assets

E.2.7.1 Default Fund resources shall be contributions of Clearing Members in cash, as stipulated in this Procedures.

E.2.7.2 ALPEX shall publish annual report regarding the Default Fund management that include:

- (a) a breakdown of the Default Fund's assets,
- (b) a detailed income statement, presenting by category the revenues, all manner of contributions paid to it, as well as any expenses or losses resulting from its activation,
- (c) a detailed statement of Default Fund disbursements pursuant to the provisions of this Procedures, and
- (d) a detailed list of outstanding and settled claims arising from Defaults,

E.2.7.3 The auditing of the financial management of the Default Fund and of the annual management report prepared by ALPEX shall be assigned to two (2) registered auditors or a recognized audit firm.

F. DEFAULT, SUSPENSION AND TERMINATION

F.1 DEFAULT, SUSPENSION AND TERMINATION

F.1.1 Default

F.1.1.1 The following sections on Default, suspension and termination shall apply in respect of Default by any Party other than the ALPEX.

F.1.1.2 A Party shall be in Default where it is in material breach of any provision of the Clearing and Settlement Procedures or the Framework Agreement.

F.1.1.3 Where the Default relates to underpayment by a Clearing Member for any Invoices, then all such underpayment will be classed as one Default.

F.1.1.4 In the event that a Counterparty Clearing Member fails to fulfil its cash obligations towards ALPEX which arise from the Clearing of Transactions, the Clearing Member shall be considered in Default in accordance with Chapter F and ALPEX shall:

- (a) undertake in role as Central Counterparty the fulfilment of the cash obligations towards Clearing Members who are beneficial Counterparties, and
- (b) exercise its rights against the Defaulting Exchange Member/Clearing Member in accordance with the provisions of this Procedures and ALPEX Rules.

F.1.1.5 If a Clearing Member fails to fulfil its obligations in respect of the Clearing and Settlement of Transactions, as these arise per each of its Clearing Accounts and are set out in this Procedures, such Clearing Member and respective Exchange Members whose Transaction are not settle by this Clearing Member, shall be deemed in Default pursuant to the provisions of this Chapter.

F.1.1.6 A Clearing Member shall be deemed in Default in cases that include but are not limited to the following:

- (a) When in the Settlement Account of the Clearing Member or, where applicable pursuant to the provisions hereof, of the Exchange Member, the available cash balance is not sufficient to cover all cash obligations of the Clearing Member or the Exchange Member respectively, as such obligations are set out in this Procedures.
- (b) When the Clearing Member does not provide the required collateral in favour of ALPEX or the contribution in favour of the Default Fund, as stipulated in the provisions of this Procedures.
- (c) In the following cases, which for the purposes hereof are considered in general as cases of a Clearing Member's insolvency and may arise irrespective of whether the Member has failed to fulfil its obligations to ALPEX with respect to the Clearing and Settlement of Transactions:
 - (i) In the event of insolvency proceedings being opened against a Clearing Member, provided ALPEX has been informed accordingly.
 - (ii) In the event of the conclusive inability of a Clearing Member, due for instance to its liquidity problems or insolvency, in respect of which no

insolvency proceedings have yet been opened in accordance with instance (i), if ALPEX has been informed about such inability by the Competent Authorities or by other means.

- (iii) In the event of any other occurrence that directly affects the Clearing Member's operation and renders or is expected to render the fulfilment of its obligations impossible, such as, by way of indication, the revocation by the relevant supervisory authorities of its operating license or license to provide services, or the dissolution of its company, if ALPEX has been informed of such occurrence by the relevant supervisory authorities or by other means.
 - (iv) In the event of a Clearing Member's failure to fulfil its obligations to ALPEX for reasons other than those relating to the Clearing in question, such as, by way of example, reasons connected with its participation in other systems or markets to which ALPEX is linked and may be exposed to risk in the framework of its operation pursuant to provisions in force.
- (d) Any reference in this Procedures to Default shall also include the cases of insolvency as set out above.

F.2 DEFAULT MANAGEMENT

F.2.1 Individual rights of ALPEX

F.2.1.1 Without prejudice to ALPEX's rights to take measures against a Defaulting Clearing Member, in accordance with section F.6, if a Clearing Member fails to fulfil its Clearing and Settlement obligations emanating from its Clearing Account and provided the Default has not been remedied, then, depending on the instance of Default, ALPEX has the following legal rights set out on section G.5.3:

- (a) to make use or dispose of the collateral, as appropriate, in accordance with the provisions of section G.5.4 or to request the immediate draw down on the Letter of Guarantee provided to it by the Defaulting Clearing Member;
- (b) to collect the necessary cash amounts from the relevant share account of the Clearing Member at the Default Fund and/or the corresponding sums from other share accounts where applicable in accordance with the provisions of section G.5.3

F.2.1.2 Until the Default has been remedied, the Defaulting Clearing Member shall be permitted to Clear new Transactions solely and exclusively on the basis of the directions and relevant Procedures of ALPEX as follows:

- (a) If a Direct Clearing Member (in case of TSO, DSO and USS) is in Default, it may enter Orders in the ETSS and conduct transactions as a Exchange Member only if the Risk from the aforesaid Orders is equal to zero (0). The enter of Orders is permitted only for a limited period of time which is set by ALPEX after relevant consultation within ALPEX and provided the Regulatory Authorities has first been notified. If the Defaulting Direct Clearing Member held a Clearing Account at any General Clearing Members as a Exchange Member will not be affected by the Default unless there are special circumstances of

risk exposure which necessitate the intervention of ALPEX with respect to them too.

- (b) In case of a General Clearing Member is in Default, the following Procedures is implemented:
 - (i) The General Clearing Member without delay notifies ALPEX and provides details of the contracted Exchange Members to which it provides Clearing services.
 - (ii) In case of a contracted Exchange Member does not have a Clearing Account at another Clearing Member, other than the one kept for it by the Defaulting General Clearing Member, the Exchange Member may enter Orders in the ETSS and conduct Transactions only if the Risk from the aforesaid Orders is equal to zero (0). The entry of the aforementioned Orders is permitted only for a limited period of time which is set by ALPEX after relevant consultation within ALPEX and provided the Regulatory Auhtorities has first been notified.
 - (iii) In case of a contracted Exchange Member has a Clearing Account at another Clearing Member, other than the one kept for it by the Defaulting General Clearing Member, the Exchange Member may enter Orders in the ETSS and conduct Transactions by means of codes that are linked to the Clearing Account of the Exchange Member which it keeps at the other General Clearing Member.

F.2.1.3 In every case, ALPEX shall take all necessary steps regarding with the Default, for the purpose to stop the entry order from Exchange Members in ALPEX Markets other than the instances of paragraph F.2.1.2.

F.2.1.4 Ninety minutes (90') before the Gate Opening Time of the Day-Ahead Market, if the required cash amounts are not available in a Settlement Account of a Clearing Member, a charge shall be imposed, even if the Default was subsequently remedied by that Member. This charge shall be equal to two percent (2%) of the value of the outstanding amount, with a minimum charge of five hundred euros (€500).

F.2.1.5 The amount corresponding to the charge imposed as above must be paid on the next business day according to the Cash Settlement Procedures.

F.2.1.6 The above charges shall apply regardless of the imposition of penalty payments on the Defaulting Clearing Member pursuant to the provisions of section F.6.1.

F.2.2 **Assumption of obligations by ALPEX**

F.2.2.1 If the Default involves the non-fulfilment of a Cash Settlement obligation on the part of the Defaulting Clearing Member due to insufficient funds in its Settlement Account, ALPEX shall fulfil the cash obligation of the Defaulting Clearing Member towards the counterparty non-Defaulting Clearing Members by activating the Default waterfall process of section G.5.3 against the Defaulting Clearing Member.

F.2.3 **Close-out netting**

F.2.3.1 In the event of a Clearing Member's Default in respect of its Clearing and Settlement obligations arising from a Clearing Account, ALPEX may apply close-out netting of such Clearing Member and its aforesaid obligations, in accordance with the specific provisions of the following paragraphs.

F.2.3.2 Upon application of close-out netting:

- (a) any and all obligations or rights of the Defaulting Clearing Member which arise from the relevant Clearing Account or the respective obligations of ALPEX to such Clearing Member shall become immediately payable, even if they are not yet due, or expire, automatically and are replaced by an obligation to pay such amount, and
- (b) the amounts owed by the Defaulting Clearing Member to ALPEX and vice-versa, which arise from the relevant Clearing Account, are calculated and the party owing the larger amount shall pay the other party the net sum equal to the difference between the amounts owed.

F.2.3.3 Close-out netting may also be applied between different Clearing Accounts, provided that the beneficiary of the relevant Account is the same Exchange Member.

F.2.4 **Default Notice**

F.2.4.1 On becoming aware of a Default in relation to a Party, the ALPEX shall issue to the Defaulting Party a Default Notice specifying the Default:

F.2.4.2 The ALPEX shall specify in a Default Notice

- (a) the nature of the Default
- (b) if the Default is capable of remedy, the time from the date of the Default Notice within which the Defaulting Party is required to remedy the Default; and
- (c) any other action which the ALPEX may reasonably require the Defaulting Party to take in respect of the Default.

F.2.4.3 The Defaulting Party must comply with the Default Notice

F.2.4.4 Before taking the measures set out in section F.2 for dealing with cases of Default, ALPEX shall without delay notify the Regulatory Authorities of the Default and provide the particulars of the Defaulting Clearing Member. ALPEX shall also keep the Regulatory Authorities informed regarding any measures taken to address the Default and the manner of its handling.

F.2.5 **Suspension**

In the event that the Defaulting Clearing Member is not capable to remedy then the ALPEX shall at the same time as or following the issue of the Default Notice to the Defaulting Clearing Member in respect of such Default, issue a Suspension Order in respect of its contracted Exchange Member's Clearing Accounts. A Suspension Order issued under this paragraph shall have immediate effect.

- F.2.5.1 ALPEX may, issue a Suspension Order in respect of all or any of a Exchange Member's Portfolios where
- (a) it becomes unlawful for a Exchange Member to comply with any of its obligations under the Clearing and Settlement Procedures;
 - (b) it becomes unlawful for a Clearing Member's LoG Provider to comply with any of its Collateral obligations;
 - (c) a Legal Requirement necessary to enable a Clearing Member or its LoG Provider to fulfil its obligations and functions under the Clearing and Settlement Procedures is amended or revoked in whole or in part so as to prevent a Party or its Credit Limit Provider from fulfilling its obligations and functions under the Clearing and Settlement Procedures;
 - (d) a Clearing Member or its LoG Provider suspends or ceases to carry on its business, or any part of its business which is relevant to its activities under the Clearing and Settlement Procedures;
 - (e) a Clearing Member's LoG Provider ceases to be eligible for the purposes of the Clearing and Settlement Procedures to be able to provide the Credit Limit and the Party has not acquired a new Credit Limit Provider.
- F.2.5.2 Where ALPEX issues a Suspension Order, ALPEX shall at the same time send a copy of the Suspension Order to the Regulatory Authority and publish it in to its website.
- F.2.5.3 With regard to a Clearing Member's Default, ALPEX shall take the measures foreseen in this Procedures, especially those regarding the prohibition on Exchange Members that Clear their own Transactions through the Clearing Accounts of the Defaulting Clearing Member to enter Orders in the ETSS, without prejudice to the provisions of paragraph F.2.1.2.
- F.2.6 Effect of Suspension Order**
- F.2.6.1 Where the ALPEX issues a Suspension Order, the Suspension Order shall specify the Exchange Member Clearing Account to which the Suspension Order shall apply, the date and time from which the suspension will take effect and the terms of the suspension.
- F.2.6.2 When a Suspension Order takes effect, the Exchange Member to which the Suspension Order applies shall be suspended from participation in the ALPEX Markets through Defaulting Clearing Member until such time as the ALPEX publishes a notice stating that:
- (a) the Suspension Order has either been lifted or will be lifted (specifying the date and time); or
- F.2.6.3 The ALPEX shall remove the Suspension Order if the relevant Party remedies the matter or matters giving rise to the Suspension Order, or the circumstances giving rise to the Suspension Order no longer apply.

- F.2.6.4 Where any Suspension Order is removed by the ALPEX, the ALPEX shall notify this to the Regulatory Authorities, where appropriate and shall publish a notice that the Suspension Order has been lifted.
- F.2.6.5 The Exchange Member that has registered the Portfolios to which a Suspension Order applies must comply with the Suspension Order.

F.3 VOLUNTARY TERMINATION OF A PARTY

F.3.1 General provisions

- F.3.1.1 Subject to paragraph F.3.1.2 below, a Clearing Member may apply at any time to cease to be a Clearing Member.
- F.3.1.2 A Clearing Member shall give at least 30 as Direct Clearing Member and 60 Working Days as General Clearing Member notice in writing to the ALPEX of its intention to cease being a Clearing Member and shall specify the time and date upon which it wishes the Termination to take effect.
- F.3.1.3 Following receipt of a request for Voluntary Termination, the ALPEX shall issue a Voluntary Termination Consent Order if the relevant Clearing Member has complied with the following conditions;
- (a) all amounts due and payable by the relevant Clearing Member pursuant to the Clearing and Settlement Procedures have been paid in full;
 - (b) any outstanding Default by the relevant Clearing Member of the Clearing and Settlement Procedures which is capable of remedy has been remedied;
- F.3.1.4 ALPEX may extend the time limit stipulated in paragraph F.3.1.2 depending on the outstanding obligations of the Clearing Member, or the need to protect the ALPEX against imminent risks, particularly in the case of Default of another Clearing Member, in accordance with paragraph F.3.1.6. In the event that the time limit is modified, the effects of Voluntary Termination of the relevant agreements, as referred to in paragraph F.3.1.2, shall apply as of the date of ALPEX's acceptance of the Voluntary Termination, which shall take place by no later than the expiry of the new time limit.
- F.3.1.5 If the conditions of paragraphs F.3.1.2 and F.3.1.4 are fulfilled, ALPEX shall issue a Voluntary Termination Consent Order and inform the Clearing Member, and the Regulatory Authorities in writing. If ALPEX does not accept the Voluntary Termination, it shall provide a reasoned answer.
- F.3.1.6 Upon discharge of any and all obligations of the Clearing Member towards ALPEX, the latter shall release the Cash Collateral and/or LoG provided by the Clearing Member to ALPEX and, upon acceptance of its Voluntary Termination, ALPEX shall return to the Clearing Member the balance of its share account in the Default Fund. If, prior to the date of acceptance of the Voluntary Termination in accordance with paragraph F.3.1.5, another Clearing Member Defaults, the share account of the resigning Clearing Member shall be returned after application of the Default waterfall of section G.5.3 against the Defaulting Clearing Member and only if such share account has a balance.

- F.3.1.7 Voluntary Termination from the capacity of Clearing Member does not exclude the possibility of re-acquiring this capacity. If the Clearing Member had fallen into Default that resulted in use being made of the share accounts of other Clearing Members in the Default Fund or of the Dedicated Own Resources in accordance with section G.5.3, in order to re-acquire the capacity of Clearing Member, the Defaulting Clearing Member must first fully repay the aforesaid used amounts that were owed by it.
- F.3.1.8 The conditions and Procedures relating to Voluntary Termination may be further specified by a Technical Decision of ALPEX.

F.4 DISPUTE RESOLUTION

F.4.1 Preliminaries

- F.4.1.1 A “Dispute” means any claim, dispute or difference of whatever nature between any of the Parties howsoever arising under, out of or in relation to this Procedures or the Framework Agreement (including the existence or validity of the same) in respect of which one Party has served a Notice of Dispute.
- F.4.1.2 A Notice of Dispute may be served on any number of Parties. Where the ALPEX reasonably determines that the resolution of a Disputed Event will impact a third Party who has not been served a Notice of Dispute, the ALPEX will inform that third Party of the existence, nature and progress of the Dispute, while maintaining the confidentiality of the Disputing Parties.
- F.4.1.3 The Notice of Dispute shall briefly set out the nature of the Dispute (including the Disputed Event(s)) and the issues involved. A copy of the Notice of Dispute shall be sent to the ALPEX and, where the ALPEX is a party to the Dispute, to the Regulatory Authority.
- F.4.1.4 Parties shall seek interim or interlocutory relief directly from the appropriate Court.

F.4.2 Amicable Dispute Settlement

- F.4.2.1 Where notice of dissatisfaction has been given, the Disputing Parties shall attempt to settle the dispute amicably before the commencement of any Court proceedings may take place.

F.4.3 Court Proceedings

- F.4.3.1 Any Dispute in respect of which a notice of dissatisfaction has been issued may only be finally settled by proceedings in a Tirana or Pristina Court as the case might be.

F.5 LIMITATION OF LIABILITY

- F.5.1.1 ALPEX shall not in any circumstances be liable to any other Party in respect of any breach of the Clearing and Settlement Procedures or the Framework Agreement or any contractual or non-contractual liability, other than for wilful misconduct or gross negligence. ALPEX shall not be liable for:
- (a) Any loss of profits, loss of income, loss of contract, loss of anticipated savings, loss of investment return, loss of goodwill, loss of use, or loss of reputation;

- (b) any losses that may be incurred by Clearing Members, Exchange Member in ALPEX Markets or any third party due to event caused by force majeure according to Section F.6.7, including but not limited to other causes beyond the control of ALPEX; or
- (c) compensation of any loss incurred by a Clearing Member, Exchange Member in ALPEX Markets or any third party, which is caused by failure of the EMCS as a consequence of the aforementioned cases of force majeure, even temporary, or is due to loss of data kept in the EMCS or to any fraudulent use of the EMCS or its data by third parties;

F.6 MEASURES AGAINST CLEARING MEMBERS

F.6.1 Types of measures

F.6.1.1 ALPEX may take the following measures against Clearing Members:

- (a) To issue a written warning.
- (b) To impose the restriction of the Clearing Member's participation in the Clearing or Settlement of Transactions.
- (c) To prohibit participation of a Certified Clearer in the Clearing of Transactions.
- (d) To impose fines, of between 100 Euro (one hundred) and 20,000 Euro (twenty thousand), which are hereby agreed to be paid as penalties in the event of culpable non-performance or improper performance or Default in respect of the fulfilment of obligations emanating from the provisions hereof. In cases where the management of a Clearing Member's Default results in a cash difference in favour of such member, ALPEX shall set off such difference against the fine imposed as above. The imposition of the aforesaid fines shall be without prejudice to any claim of ALPEX for compensation for a loss caused to it by the Clearing Member. It is expressly agreed that the above penalties constitute a sanction imposed also in view of the vital importance of the proper and timely fulfilment of the obligations set forth in the provisions of this Procedures in order to ensure the orderly functioning of the ALPEX Markets and the Coupling of the Day-Ahead and Intraday Markets.
- (e) To suspend the capacity of Clearing Member for specific period determined case by case from ALPEX, due to inability of a Clearing Member to fulfil its obligations, particularly in respect of non-compliance with supervisory requirements. During suspension period the Clearing Member is prohibited to participate in the Clearing and Settlement of Transactions. For avoidance any doubt, the suspension measure does not discharge the Clearing Member from its obligations towards ALPEX to pay any debt, including but not limited to its obligations to pay annual subscription fees, commissions and other charges imposed by ALPEX on Clearing Members, even if such obligations arise during the period of suspension.
- (f) To terminate of membership of Clearing Member. This termination entails the immediate and mandatory loss of the capacity as Clearing Member. Imposition of such measure renders immediately due and payable any and all claims of

ALPEX against the Clearing Member, which must immediately, fully and properly fulfil its obligations as instructed by ALPEX. With regard to the release of collateral and contributions of the Clearing Member's share accounts, the provisions of Chapter F.3 shall be applied as appropriate.

F.6.1.2 The imposition of measures on a Clearing Member under no circumstances relieves it of its liability for any of its acts or omissions vis-à-vis to ALPEX.

F.6.2 **Circumstances for imposing of measures**

F.6.2.1 ALPEX shall impose the measures stipulated in section F.6.1, as appropriate, in the following from paragraph F.6.2.2 to F.6.2.10.

F.6.2.2 Any breach by a Clearing Member of the provisions of this Procedures, in particular:

- (a) When a Clearing Member does not fulfil or inadequately fulfils the necessary conditions for membership as Clearing Member, such as by way of indication:
 - (i) Lack of the required organisational and operational adequacy of the Clearing Member.
 - (ii) Decrease of the Clearing Member's own funds below the minimum required for acquisition of the aforesaid capacity.
 - (iii) Failure of the Clearing Member's employees who perform Certified Clearer tasks to satisfy the eligibility criteria.
 - (iv) Non-payment or Default on payment of the required subscriptions and other fees and debts in general of the Clearing Member to ALPEX.
 - (v) Failure to meet the requirements pertaining to the Clearing or Settlement of Transactions, as the case may be.
- (b) Non-compliance of a Clearing Member with the technical instructions of ALPEX or with the technical specifications set by ALPEX for the use and operation of the systems utilized by the Clearing Member to participate in Clearing or Settlement.
- (c) Unlawful or unauthorized use or misuse of the systems used by a Clearing Member for its participation in the Clearing or Settlement of Transactions.
- (d) Non-compliance of a Clearing Member with the requirements stipulated from time to time by ALPEX with respect to its participation in Clearing or Settlement, such as by way of indication:
 - (i) Failure to provide the required collateral to ALPEX or deposit the necessary contributions to the Default Fund.
 - (ii) Inadequate monitoring of the risks arising from the Positions of the Clearing Accounts maintained by the Clearing Member.
 - (iii) Failure of the Clearing Member to fulfil its obligations or comply with the instructions of ALPEX regarding the management of Defaults in the Clearing Accounts it maintains or the late fulfilment of its obligations.

- F.6.2.3 Submission by a Clearing Member of false or misleading information to ALPEX, by way of indication in the following cases:
- (a) Upon submission of the application for the acquisition of the capacity of Clearing Member.
 - (b) When opening or using any of the Member's Clearing Accounts in connection with its participation in the Clearing or Settlement of Transactions.
 - (c) Upon submission of data, supporting documents or information requested from the Member by ALPEX from time to time.
- F.6.2.4 Failure of a Clearing Member to comply with the announcements, decisions or instructions of ALPEX.
- F.6.2.5 Non-fulfilment or improper fulfilment of the obligations of a Clearing Member which arise from any and all contracts signed with ALPEX, including but not limited to the technical contracts and general contracts signed by the Clearing Member with ALPEX for the purpose of connecting to the EMCS, as well as any other obligation arising from the commitments undertaken by the Clearing Member towards ALPEX.
- F.6.2.6 Acts or omissions of a Clearing Member which harm the reputation and standing of ALPEX or discredit the services provided and the activities exercised by ALPEX.
- F.6.2.7 The occurrence of events that affect the operation of a Clearing Member, such as the dissolution of the undertaking or company of the Clearing Member, the initiation of insolvency proceedings, including bankruptcy, compulsory winding up or rehabilitation of the undertaking or company of the Clearing Member, as well as revocation of the Clearing Member's license to operate or provide services.
- F.6.2.8 The imposition of sanctions on a Clearing Member by the Competent Authorities.
- F.6.2.9 The receipt by ALPEX of information from the Competent Authorities, notifying it that measures have been imposed against a Clearing Member in order to protect the markets.
- F.6.2.10 Serious misconduct by a Clearing Member in respect of its compliance with legal provisions.
- F.6.3 **Competent bodies for the imposition of measures**
- F.6.3.1 The body responsible for the imposition of measures on Clearing Members is the Supervisor Council of ALPEX or any of its bodies duly authorized for this purpose, which are employees of ALPEX. Before imposing a measure, ALPEX shall invite representatives of the Clearing Member to attend in hearing session, at a time to be specified in its relevant notice to the Clearing Member. The hearing session may be omitted if ALPEX deems necessary the immediate imposition of a measure in order to protect the electricity market and the interests of Exchange Members therein.
- F.6.3.2 ALPEX may, in the course of the procedures for the imposition of measures on a Member:
- (a) ask the Clearing Member to submit all data and information which ALPEX deems necessary in order to examine the matter in question;

- (b) ask one or more employees, executives, representatives and managers of the Clearing Member to appear in person before it;
 - (c) request the immediate cessation of practices or procedures applied by the Clearing Member when participating in Clearing and Settlement.
- F.6.3.3 ALPEX may impose measures on a Clearing Member either singly or in combination, as appropriate, taking into account each time all the relevant circumstances.
- F.6.3.4 The decision to impose measures shall be communicated to the Clearing Member officially.
- F.6.4 Review of decisions**
- F.6.4.1 In case of Supervisor Council delegate its power to bodies duly authorized which are employees of ALPEX to impose measures to a Clearing Member, this decision may be subject of review at the request of the Clearing Member by Supervisor Council, submitted within a period of five (15) days from the communication of the decision to the Clearing Member.
- F.6.4.2 If ALPEX reject the application for acquisition of the capacity of Clearing Member may be subject of review at the request of the Clearing Member by Supervisor Council, submitted within a period of five (15) days from the communication of the decision to the Clearing Member
- F.6.4.3 Decisions on review requests are communicated to the Clearing Member.
- F.6.5 Enforcement of decisions**
- F.6.5.1 If a decision to impose measures to a Clearing Member becomes final and irrevocable, it shall be enforced by ALPEX. In the event that a fine is imposed on the Clearing Member, the Clearing Member must pay the respective amount within thirty (30) days from the date on which the relevant decision became final and irrevocable.
- F.6.6 Notifications**
- F.6.6.1 Notice to attend in hearing session or issue of any Decisions of ALPEX shall be communicated to the Clearing Member by any appropriate means chosen by ALPEX, including electronic medium.
- F.6.6.2 ALPEX shall in every case notify the Regulatory Authorities regarding:
- (a) the imposition of a measure on a Clearing Member, providing them with all necessary data and information pertaining to the relevant breaches or the reasons for imposing the measure;
 - (b) the lifting of a measure, by way of indication when there is no longer any reason to maintain it.
- F.6.6.3 ALPEX may disclose by any appropriate means of its choice the imposition of a measure on a Clearing Member and its lifting.

F.6.7 Force majeure

F.6.7.1 Force Majeure Event have the meaning of Chapter G.4 “Force Majeure” of ALPEX Rules-General Terms.

F.6.8 Publication of the Clearing and Settlement Procedures

F.6.8.1 ALPEX shall publish the current, effective version of the Clearing and Settlement Procedures. The date of publication of the complete amended version of the Clearing and Settlement Procedures shall not affect the date of coming into effect of the relevant Modification.

F.6.8.2 ALPEX shall also publish at all times a list of effective Modifications which have been approved but have not yet been incorporated into the current baseline version of the Clearing and Settlement Procedures.

F.6.8.3 ALPEX shall not be obliged to publish any material that it reasonably believes may be of an obscene or libellous or similar nature.

F.6.9 Secrecy

F.6.9.1 The operation of the EMCS is governed by the provisions on professional secrecy of applicable legislation.

F.6.9.2 The furnishing by ALPEX of information it has recorded shall be permitted in cases stipulated by applicable legislation or deemed necessary for the implementation of this Procedures.

F.6.9.3 ALPEX is obliged to observe professional secrecy with regard to all data, facts and information coming to its knowledge as part of the Procedures for imposing measures against a Clearing Member.

F.6.9.4 Without prejudice to provisions in force on secrecy, ALPEX may by way of exception provide such data, facts and information to:

- (a) the Competent Authorities or other authorities which have the right by law to access and inspect the relevant data, facts and information;
- (b) any other Clearing or Settlement agency with which ALPEX cooperates, provided such agencies are legally or contractually bound to observe professional secrecy due to their cooperation with ALPEX.

F.6.10 ALPEX Notices

F.6.10.1 Notices which are required to be published by ALPEX shall be published on its website within any applicable timeframes set out in this Clearing and Settlement Procedures.

G. FINANCIAL SETTLEMENT

G.1 GENERAL

G.1.1 Purpose

G.1.1.1 This Chapter:

- (a) specifies the arrangements and processes for settlement of the payments and charges calculated;
- (b) sets out the arrangements for the calculation and settlement of the ALPEX Markets Charges; and
- (c) sets out banking and Collateral arrangements to support the settlement of those payments and charges.

G.1.2 Settlement Items

G.1.2.1 The ALPEX shall carry out or procure Settlements in accordance with the Clearing and Settlement Procedures of the following amounts:

- (a) Trading Payments for each Invoice;
- (b) Trading & Clearing Charges payable by Exchange Members through its Clearing Members in respect of their Clearing Account for each Invoice;
- (c) Fees payable by Exchange Members and/or Clearing Members in respect of ALPEX Fee Schedule for each Year or period to which the Fees relates;
- (d) Fee payable by Clearing Members in respect of each deposit or replacement of LoG;

G.1.2.2 All of the payments and charges set out in paragraph G.1.2.1 shall be calculated in accordance with this Procedures and, shall apply VAT or any applicable taxes according to law.

G.1.3 Currency

G.1.3.1 Settlement of Transaction will be in Euro for Albanian and Kosovar market, and ALL for Albania market only referring to the specific case(s) foreseen in paragraph G.1.3.3. The Exchange Rate between Euro and, shall be the fixed exchange rate published by Bank of Albania on the day of the relevant Invoice.

G.1.3.2 Fees related to Albanian ALPEX Markets shall be settle in ALL by Cleaing Members and from the Exchange Member if is resident in Albania. The Exchange Rate between Euro and ALL, shall be the fixed exchange rate published by Bank of Albania on the day of the relevant Invoice.

G.1.3.3 All payments in respect of Settlements of Transaction for Over the Counter (OTC) contract related to regulated price between Universal Service Supplier (FSHU sh.a) and Albanian Power Corporation (KESH sh.a) will be in ALL. The Exchange Rate between Euro and ALL, shall be the fixed Exchange Rate published by Bank of Albania on the day of the relevant Invoice.

G.1.4 Banking Arrangements

G.1.4.1 ALPEX shall, through its contract with the Settlement Bank administer the banking services required pursuant to the Clearing and Settlement Procedures for Exchange Members and/or Clearing Members. ALPEX and each Exchange Members and/or Clearing Members shall, in each case in relation to those banking arrangements that it requires in order to comply with the Clearing and Settlement Procedures, procure, use, make available and administer such banking arrangements in accordance with paragraph G.1.6.1.

G.1.5 The Settlement Bank

G.1.5.1 The Settlement Bank shall be a bank which must hold the bank operating licence from Central Bank of Albania or Kosovo as the case might be.

G.1.6 Elements of the Banking Arrangements

G.1.6.1 The banking arrangements consist of seven major elements that impact or result from activities of Exchange Members and/or Clearing Member:

- (a) Amounts to be paid by Clearing Members under this Procedures
- (b) Amounts to be paid to Exchange Members under this Procedure
- (c) Drawdown of Cash Collateral Account
- (d) Calls on Letter of Guarantee (LoG)
- (e) Deposits into Cash Collateral Accounts
- (f) Deposits into Default Funds Accounts by Clearing Members
- (g) Deposit Interest and charges/fees by Exchange Members and/or Clearing Members

G.2 SETTLEMENT BANK ACCOUNTS

G.2.1 Settlement Accounts

G.2.1.1 The accounts will be in the name of the ALPEX. The Settlement Account will be in Euro and/or ALL currency.

G.2.1.2 The ALPEX shall establish and operate in accordance with this Procedures:

- (a) one Settlement Accounts in EUR currency for each the Settlement Bank in Albania and Kosovo; and
- (b) one Settlement Accounts in ALL currency at the Settlement Bank in Albania, to and from which all Trading Payments and Trading Charges/Fees as calculated in accordance with this Procedures are to be settled.

G.2.1.3 Each Settlement Account for Trading Payments shall be an interest bearing account. Interest can be negative or positive. Any interest credited and or debited on amounts held in this Settlement Accounts shall accrue and belong to the ALPEX.

G.2.1.4 These accounts will be used to receive in and pay out all amounts in relation to Trading Payments and to receive in the Charges/Fees as calculated pursuant to this Procedures.

G.2.1.5 Settlement Accounts of Clearing Member

- (a) For the settlement of Transactions, each Direct Clearing Members and General Clearing Members must maintain the necessary Settlement Accounts at a Settlement Bank in accordance with the provisions of a relevant Technical Decision of ALPEX.
- (b) Settlement Accounts are displayed in the EMCS and show the credit or debit balance which is either payable or receivable by the Clearing Member from them respectively.
- (c) Each Clearing Members must notify ALPEX regarding the number of their Settlement Accounts through which it will fulfil its cash obligations relating to Trading Payments, as well as with regard to the payment of charges/fees in favour of ALPEX.

G.2.2 Cash Collateral Accounts

G.2.2.1 These accounts will be used by a Clearing Member who will post some or all of its Credit Limit in the form of cash Collateral.

G.2.2.2 Where a Direct Clearing Member decides to provide such a cash deposit, then this Clearing Member shall instruct ALPEX to establish and maintain a Cash Collateral Accounts with the Settlement Bank. The accounts will be held in the sole name of the ALPEX and will be held on trust as further described in this Procedures.

G.2.2.3 In case of General Clearing Member, this account can be held in the same bank of this Clearing Member and in the sole name of the ALPEX.

G.2.2.4 For the avoidance of doubt, the ALPEX will not have any responsibility or liability for any loss or Shortfall arising as a result of negative interest rates applying to any of the Cash Collateral Accounts.

G.2.3 Provision of Cash Collateral

G.2.3.1 The Cash Collateral Account in relation to each relevant Clearing Member shall contain the cash element of that Clearing Member's Credit Limit on the following terms:

- (a) the Cash Collateral Account shall be in the sole name of the ALPEX with the designation "**Cash Collateral Account relating to** [Insert Clearing Member Details]";
- (b) The Direct Clearing Member and ALPEX will sign a form of Bank Instruction in the Settlement Bank which shall irrevocably instruct the Settlement Bank to make payment against the sole instruction of the ALPEX. In the event of a Shortfall, the ALPEX may drawdown funds from these accounts to meet such Shortfall as further described in this Procedures. The Clearing and Settlement Procedures shall take precedence over the Bank Instruction;

- (c) The General Clearing Member and ALPEX will both sign a form of Bank Instruction which the General Clearing Member shall irrevocably accept in order to make payment against the sole instruction of the ALPEX. In the event of a Shortfall, the ALPEX may drawdown funds from these accounts to meet such Shortfall as further described in this Procedures. The Clearing and Settlement Procedures shall take precedence over the Bank Instruction; and
- (d) Any interest rates or other fruits or benefits regardless of their nature received for the Cash Collateral Account (e.g. interests paid by the Settlement Bank to the Cash Collateral Account for the deposited Cash Collaterals) shall automatically become a pledged Collateral and will not be set-off the respective Clearing Member to whom the the Cash Collateral Account is ascribed to.

G.2.3.2 If a Clearing Member which has provided collateral related to Clearing Account, requests to decrease it, then the remain cash amount shall be transferred at reasonable time in the respective bank account of the Clearing Member, only if there are no obligations to provide Margin for the relevant Clearing Account or such obligations are fulfilled in a different manner pursuant to the provisions hereof. ALPEX may refuse to return such aforesaid excess collateral in order to cover any risks associated either with the respective Clearing Account, or in the case of provision of section G.3.3.2, with other Clearing Accounts of the Clearing Member making the request.

G.2.3.3 ALPEX may by virtue of an Technical Decision further specify any technical matters and necessary details pertaining to the implementation of the terms of this section.

G.2.3.4 Any bank fee regarding to fund transfer, shall be cover by Clearing Member (beneficiary all bank charges)

G.3 Collateral

G.3.1.1 Clearing Members are required to provide collateral in favour of ALPEX to secure their Clearing and Settlement obligations towards ALPEX in accordance with the specific provisions of this Procedures.

G.3.1.2 The collateral shall be provided and segregated per Clearing Account.

G.3.2 Forms of collateral

G.3.2.1 ALPEX shall accept cash collateral in euro or in Lek Currency. The collateral may be accepted pursuant to an ALPEX Technical Decision, in accordance with this section and section G.3.3, or in the form of a Letter of Guarantee in accordance with paragraph G.3.2.5.

G.3.2.2 The Cash Collateral shall be deposited into Cash Collateral Accounts and it shall be in Eur Currency for Albanian and Kosovar ALPEX Markets , meanwhile it can be in ALL Currency for Albanian ALPEX Markets.

G.3.2.3 If Clearing Members shall provide the Cash Collateral in ALL Currency, than the value of this Collateral shall be at least 130% of equivalent value in ALL. For calculation of equivalent value in ALL, ALPEX shall refer to the daily exchange rate of Bank of Albania.

G.3.2.4 If the circumstances with regard to fluctuation of exchange rate (ALL-Euro) will seek ALPEX to change the percentage of Collateral coverage for Lek Currency, it shall be notified through the ALPEX Technical Decision which shall affect the current Cash Collateral as well.

G.3.2.5 As collateral, ALPEX shall also accept Letter of Guarantee (LoG) subject to the following conditions:

- (a) the issuer of the LoG is a licensed Bank in Albania or Kosovo as the case might be;
- (b) the LoG must be irrevocable and unconditional, and its issuer cannot rely on any legal or contractual exemption or defence to oppose payment of the guarantee. The issuer shall be obliged to immediately deposit the full amount of the LoG or a part in ALPEX Settlement Account thereof where ALPEX is entitled to seek LoG Draw Down within the timeline set out in ALPEX Technical Decision;
- (c) the LoG may be called and paid, at the request of ALPEX, without any regulatory, legal or operational restrictions, on demand, for the purpose of satisfying the obligations arising from the Positions that are cleared by the Clearing Member on behalf of which it was issued;
- (d) the issuer of the LoG does not belong to the same group with the General Clearing Member;
- (e) The LoG is subject to confirmation from ALPEX before it will be issued;

G.3.2.6 Letter of guarantee is issued in a standard format that is specified by a Technical Decision of ALPEX. By virtue of the same Technical Decision, ALPEX may specify any related issue and necessary detail.

G.3.2.7 ALPEX shall, by virtue of its Technical Decision, categorise the collateral it is able to accept, with regard to the maximum or minimum percentages of acceptable coverage or the maximum amount of acceptable coverage per specified category.

G.3.3 **Rights of ALPEX on collateral**

G.3.3.1 In the event of a Clearing Member's Default, ALPEX shall use the collateral to cover the loss caused by the Default solely in respect of the Clearing Account for which it has been given.

G.3.3.2 The use of collateral for a different, other than the aforesaid, Clearing Account to meet obligations towards ALPEX is not permitted, unless the beneficiary of the Account is the same Exchange Member.

G.3.3.3 ALPEX has a right of use on the cash provided to it as collateral, which it may exercise through the Clearing Member and in accordance with the following:

- (a) ALPEX may, after simply notifying the Clearing Member, make temporary use of the collateral provided, in the event of Default on the part of other Clearing Members in order to cover liquidity risk. ALPEX may not make such use of the collateral if it constitutes Available Cover for the Clearing Account of the Clearing Member that provided the collateral and a request has already been

made to ALPEX for its return. Clearing Members has given their written consent to ALPEX in order to exercise its right to use the collateral – in a form provided to them at the time of the initial application submitted in accordance with the provisions of section C.2.

- (b) If ALPEX exercises its right of use, it must turn back the same amount in the same currency to the Clearing Member that provided the collateral.
- (c) In the event of a Clearing Member's Default, ALPEX shall use the collateral provided by it for payment and settlement of obligations arising from the relevant Clearing Account of the Clearing Member as a result of the Settlement of Transactions, applying netting procedures.

G.3.4 Settlement Transaction

G.3.4.1 The Settlement Bank, ALPEX and Clearing Members participate in the Settlement of Transactions in accordance with the terms of this Procedures.

G.3.4.2 Settlement is carried out by each Clearing Member/Settlement Bank on the basis of instructions from ALPEX.

G.3.4.3 Payments shall only be made by ALPEX and Clearing Members in the ALPEX Markets through EMCS.

G.3.4.4 The EMCS shall be consistent with standard banking practice and the methods and Procedures described in ALPEX Technical Decision.

G.3.5 Inability to perform Cash Settlement

G.3.5.1 If a Clearing Member/Settlement Bank is unable to promptly communicate to ALPEX the balances of the their Settlement Accounts and perform Cash Settlement, than ALPEX upon being informed of the matter by the Clearing Member/Settlement Bank, shall arrange the Cash Settlement by means of alternative procedures. In such a case, Cash Settlement may be carried out at another Clearing Member or through the same one in accordance with its alternative procedures.

G.3.5.2 When the procedures of the preceding paragraph is applied, Clearing Members must pay to ALPEX the amounts owed as instructed by ALPEX. If a Clearing Member fails to pay the amount due, the Clearing Member shall be deemed in Default and subject to application of the relevant provisions of Chapter G of this Procedures.

G.3.5.3 If the aforesaid inability of the Settlement Bank no longer applies, Cash Settlement may proceed as normal through such Bank in accordance with the relevant instructions and directions of ALPEX.

G.3.6 General principles of Settlement

G.3.6.1 Settlement in cycles;

- (a) The Settlement of Transactions is carried out on a daily basis for each Settlement Day in cycles, which are determined on the basis of the Procedures of ALPEX.

- (b) Settlement operations that cannot be settled in a certain cycle of the Settlement Day, due to non-fulfilment of the settlement conditions that govern them, are automatically transferred to the immediately following cycle pursuant to the conditions governing Settlement in accordance with the relevant Procedures of ALPEX.

G.3.6.2 Performance of Settlement;

- (a) The Settlement of Transactions in connection with the EMCS is carried out on a multilateral basis between ALPEX and its Clearing Members.
- (b) The Settlement is carried out per Clearing Member, Clearing Account and Settlement Account in respect of the obligations and claims arising per Clearing Day and Settlement Day. Cash claims and corresponding obligations which are settled on the same Settlement Day are subject to netting.
- (c) Settlement is performed in respect of all Clearing Members, while the obligation or claim of each Clearing Member is independent of the fulfilment of obligations of the Counterparty to the relevant Transaction. Settlement is carried out in cycles and becomes final each time a part of it has been performed.
- (d) Settlement is carried out irrespective of fulfilment or non-fulfilment of the cash obligations of Exchange Member in ALPEX Markets to Clearing Members and vice-versa.

G.3.6.3 Any procedural or technical details relating to the procedures applied by ALPEX in connection with the Settlement of Transactions, as set out in this section, for instance with respect to the business hours prescribed for the performance of Settlements in the EMCS pursuant to the provisions of this Procedure, the particular specifications of the Settlement algorithm, or the number and duration of Settlement cycles, shall be determined by virtue of a Technical Decision of ALPEX after first taking into account the technical specifications and procedures of the Clearing Member and Settlement Bank.

G.3.7 **Clearing and Settlement related to parties in OTC contracts**

G.3.7.1 The Transaction of Parties related to respective the OTC contract shall be cleared through the Clearing Account where in case of Exchange Member (as purchasing party on relevant OTC) it shall enter Priority Price-Taking Buy Order in ETSS.

G.3.7.2 In case of Exchange Member (as selling party on relevant OTC) shall enter in ETSS Orders as Price Maker where such Orders shall be cover with collaters by its contrating Clearing Members like these Orders would be a Buy Orders. The Clearing Member shall cleared and settled the respective Transaction emaitng from the entering of these Orders in respekt of provision in paragraph G.3.7.4.

G.3.7.3 In case of the concluded Transation with regard of Exchange Member (as purchasing party on relevant OTC) shall result with not full covered with collateral from its General Clering Members than:

- (a) this diffence shall be settled by Exchange Member funds through its General Clearing Member;

- (b) If the difference from (a) above are not settled, than the General Clearing Member shall be not in Default for that case;
- (c) The settlement of Transaction of such difference amount from ALPEX to Exchange Member (as selling party of relevant OTC) will not be performed as its role as Central Counterparty. ALPEX is not responsible to settle this Transaction amount; and
- (d) The relevant parties in this OTC has agreed with signing of membership agreement to settle such difference amount not through ALPEX as Central Counterparty.

G.3.7.4 In the case of Exchange Member (as selling party of relevant OTC) shall be not awarded by relevant Day-Ahead Auction and MTU(s) for Delivery Day in respect of energy volumes on OTC, than this Exchange Member shall be settled the difference amount emanating from paragraph G.3.7.3 through its General Clearing Member.

G.3.7.5 Following the paragraphs G.3.7.3 and G.3.7.4., if this amount shall not be settled, than Exchange Members (as selling party of relevant OTC) then Members (parties in OTC) will be in Default.

G.3.7.6 ALPEX shall inform Regulatory Authority.

G.4 Settlement day

G.4.1 Settlement Day Provisions

G.4.1.1 All Settlement of Trading Payments and Trading Charges are based on a Clearing Day (C).

G.4.1.2 The expression "C" refers to the relevant Clearing Day

G.4.1.3 The expression "C+X" means Xth Working Days after the Clearing Day.

G.4.2 Settlement Calendar

G.4.2.1 The ALPEX shall publish, prior to the start of each Year, a Settlement Calendar for all days in the coming Year.

G.4.3 Invoices, Self Billing Invoices

G.4.3.1 The ALPEX shall produce and issue Invoices and Self Billing Invoices for Trading Payments and Trading Charges/Fees as the following:

- (a) Invoices and Self Billing Invoices for Trading Payments and Variable Charges shall be issued to all Exchanges Member in respect of their Transaction position per Clearing Accounts;
- (b) Invoices Fixed Charges shall be issued to all Exchanges Members/Clearing Members in respect of obligation on relevant Day;

With reference to the Clearing Members responsible for payment.

G.4.3.2 Payment shall be in accordance with the following:

- (a) each Invoice and Self Billing Invoice shall include at least:

- (i) the quantities and price of electricity selling/purchasing in ALPEX Markets for each MTU(s) follows by respective payments; and
 - (ii) the amount of all applicable charges to the Transaction volumes, and
 - (iii) shall include any applicable VAT charges;
- (b) any Clearing Member, of invoiced Exchange Member from the Clearing Account Positions, is ALPEX Debtor, and shall pay each Invoice emanating from its Clearing Account in full without deduction, by paying the amount due into the relevant Settlement Account for full value by the Invoice Due Date. The Settlement Day shall be the working day that follows the day of Clearing of the Transaction that gave rise to the respective Positions: until 11:00 a.m, one (1) Working Day after the date of the Invoice;
- (c) ALPEX shall, subject to the provisions of the Clearing and Settlement Procedures, pay each Self Billing Invoice to any Clearing Member who is a ALPEX Creditor by paying the amount due from the Settlement Account to the ALPEX Creditor's bank accounts, for full value by the Self Billing Invoice Due Date. The Self Billing Invoice Due Date is 15:00, two (2) Working Days after the date of the Self Billing Invoice except where an Unsecured Bad Debt has occurred.
- G.4.3.3 The above-mentioned payments and receipts are carried out in accordance with the Cash Settlement Procedures pursuant to the provisions of Chapter G.
- G.4.3.4 Without prejudice to paragraph G.4.3.2, a Clearing Member shall make an aggregate payment.
- G.4.3.5 If any Clearing Member fails to pay an Invoice in full in accordance with paragraph G.4.3.2(b), then Clearing Member has a Shortfall and ALPEX shall;
- (a) will draw down on respective cash amount from Cash Collateral Accounts of the Clearing Member to cover the Shortfall;
 - (b) forthwith make a Collateral Call on Letter of Guarantee of the Clearing for payment of the Shortfall;
 - (c) collect the necessary cash amounts from the relevant share account of the Clearing Member at the Default Fund and/or the corresponding sums from other share accounts where applicable in accordance with the provisions of section G.5.4
 - (d) The ALPEX shall identify the Settlement Period to which the Shortfall relates in making any Collateral Call. Statutory Default Interest shall accrue on any Shortfall and Unsecured Bad Debt in accordance with the Clearing and Settlement Procedures.
- G.4.3.6 If ALPEX fails to pay pursuant to the Clearing and Settlement Procedures (except as otherwise provided) the full amount owing pursuant to a Self Billing Invoice for full value by the Self Billing Invoice Due Date, then Statutory Default Interest shall accrue on the amount outstanding in accordance with the Clearing and Settlement Procedures.

- G.4.3.7 Despite the making of a Collateral Call by the ALPEX, if the Clearing Member meets any Shortfall either through its own funds, its Cash Collateral, or a combination of the foregoing by 11:00 on the next Working Day after the Invoice Due Date (C+2) then Settlement shall continue to proceed in accordance with the Clearing and Settlement Procedures.
- G.4.3.8 If the Shortfall is not paid in full by 11:00 on the next Working Day after the Invoice Due Date (C+2), then, subject to LoG Draw Down provisions in this Procedures:
- (a) the amount of the Shortfall cover by LoG shall become an Unsecured Bad Debt for the purposes of this Clearing and Settlement Procedures;
 - (b) the ALPEX shall, where practicable and as applicable, withhold, deduct or set off payment of any amount due pursuant to the Clearing and Settlement Procedures to the Defaulting Clearing Member until the amount of the Unsecured Bad Debt and any applicable Statutory Default Interest has been recovered in full;

G.5 PARAMETERS FOR THE DETERMINATION OF CREDIT LIMIT

G.5.1 Margin calculation

- G.5.1.1 ALPEX calculates the Margin requirements per Clearing Account, taking into consideration the cash payment obligations as calculated in section D.3.5, which have not yet been settled.
- G.5.1.2 ALPEX shall be entitled at any time to change the Margin calculation methods for the purpose of protecting the market. ALPEX shall also be entitled to increase at any time the Margin requirements for all Clearing Accounts as well as for each Clearing Accounts, and set a deadline for the provision of such additional Margin, particularly taking into consideration any imminent risks.
- G.5.1.3 After finalisation of the Clearing Account Positions if the Margin is greater in value than the value of all the collateral of the relevant Clearing Account, the Clearing Member will be notified by ALPEX and in order to remedy the shortfall within a time limit set by virtue of a relevant Technical Decision of ALPEX. This obligation shall not apply if the Clearing Member has in the meantime settled its cash obligations relating to the aforesaid requirement through the Cash Settlement Procedures.
- G.5.1.4 If the Margin requirement of ALPEX with respect to the Clearing Account of a Clearing Member, as calculated by it on the basis of the valuations it conducts after finalisation of Positions, is less in value than the value of all the collateral of the relevant Account, as such collateral has been provided to ALPEX in accordance with the provisions hereof, the surplus shall be treated as Available Cover. ALPEX shall assign a Credit Limit to the Clearing Member for each of its Clearing Accounts up to the amount of such Available Cover.
- G.5.1.5 In cases where available funds in the form of cash or a letter of guarantee have been provided to ALPEX by a Clearing Member for the purpose of covering Margin requirements for more than one Clearing Account, the Clearing Member must on its own responsibility declare to ALPEX the part of such available funds which

corresponds to each Clearing Account in order to meet requirements. In the event of a Clearing Member's Default pursuant to the provisions hereof, such collateral shall be used by ALPEX in accordance with the provisions of section G.5.4.

G.5.2 Monitoring of Credit Limit

G.5.2.1 During each Trading Day, a potential risk is calculated in real-time with regard to Clearing Member per each of its Clearing Accounts on that Trading Day (intraday risk) as following:

- (a) in respect of Direct Clearing Members, per Own Clearing Account of the Direct Clearing Member, and relates to the entry of Orders as a Exchange Member in the ETSS and the performance of relevant Transactions that are cleared through the respective Own Clearing Account, and
- (b) in respect of General Clearing Members, per Exchange Member Clearing Account held by the General Clearing Member and relates to the entry of Orders by the contracted Exchange Member in the ETSS and the performance of relevant Transactions that are cleared through the respective Exchange Member Clearing Account.

G.5.2.2 For the purposes of calculating the Intraday Risk, the following steps are taken into consideration:

- (a) the Transactions concluded at the same day in respect of each Exchange Member and relevant Clearing Account in ALPEX Markets, and
- (b) the unfilled status Orders to be concluded into Transactions in respect of each Exchange Member and relevant Clearing Account in ALPEX Markets .

The methodology for calculating the Intraday Risk, as well as all necessary technical details pertaining thereto shall be determined by virtue of an Technical Decision of ALPEX.

G.5.2.3 ALPEX sets the Credit Limit of each Clearing Member in respect of each its Clearing Accounts, based on its Available Cover in accordance with section G.5.1, and registers it in the relevant Clearing Account.

G.5.2.4 The Credit Limit per Clearing Account and Exchange Member, as defined in accordance with paragraph G.5.2.6, constitutes the maximum Intraday Risk of paragraph G.5.2.1 which the Clearing Member may, during the relevant Trading Day, assume with respect to the relevant Clearing Account and Exchange Member in ALPEX Markets. If there is no Available Cover for the relevant Clearing Account and Exchange Member, the Credit Limit of the Clearing Member shall be zero for the relevant Clearing Account, resulting in application of the Order entry prohibition in accordance with the terms of this Procedures.

G.5.2.5 The Credit Limit per Clearing Member, Clearing Account and Exchange Member is registered in the ETSS, as such limit is defined pursuant to paragraph G.5.2.6, and is constantly monitored by ALPEX throughout the Trading Day.

G.5.2.6 Each General Clearing Member may apportion a Credit Limit to a Clearing Account provided there is Available Cover as calculated in paragraph G.5.1.4 and in accordance with the specific terms of the following provisions:

- (a) The apportionment is made following a relevant declaration of the General Clearing Member submitted to ALPEX through the EMCS prior to the Gate Opening Time of each Market or at any moment up to the Gate Closure Time of each Market.
- (b) The apportionment percentage or amount per Exchange Member is registered in the Clearing Account of the Exchange Member.
- (c) If a Exchange Member does not have a Credit Limit, it shall not be permitted to enter Orders in the ETSS, pursuant also to the specific provisions of the Trading Procedures.
- (d) A General Clearing Member may modify its Credit Limit apportionment amounts during the Trading Day. Such modification shall take place following the declaration of instance (a) above. In the event of a declaration announcing a decrease in the Credit Limit apportioned to a Exchange Member, such declaration shall be accepted by ALPEX provided that the Exchange Member's new reduced Credit Limit is greater than the Credit Limit it has already used.

G.5.2.7 During the Trading Day, the Intraday Risk already assumed on the basis of unfilled Orders entered in the ETSS by the Exchange Member and Transactions it has concluded during the same Trading Day is progressively subtracted by ALPEX from the Credit Limit of each Clearing Account, and Credit Limit is correspondingly added on the basis of the Available Cover of the Clearing Account.

G.5.3 **Call of Collateral and Default waterfall**

G.5.3.1 ALPEX shall cover the losses per Clearing Account on the basis of the following Default steps/process waterfall:

- (a) The financial liabilities arising in connection with the Clearing Account in Default is covered by the collateral that has been made available to ALPEX for that Clearing Account in accordance with section G.5.4.
- (b) If the collateral of instance in paragraph G.5.3.1(a) is insufficient, ALPEX shall, for the purpose of covering the remaining portion of the financial liabilities, use the Default Fund share account of the Defaulting Clearing Member.
- (c) If the contribution of instance in paragraph G.5.3.1(b) is insufficient, ALPEX shall, for the purpose of covering the remaining portion of the financial liabilities, use the share accounts of the other Clearing Members in the Default Fund on a pro rata basis, according to their percentage of participation in the Default Fund.
- (d) If the share accounts of the other Clearing Members in the Default Fund of instance in paragraph G.5.3.1(d) are not sufficient, the remaining portion of the financial liabilities shall be covered by the Dedicated Own Resources of ALPEX.

- G.5.3.2 The financial liabilities coverage process of the preceding paragraph shall be without prejudice to the right of ALPEX to seek satisfaction of its claims against the Defaulting Clearing Member, especially when it makes use of its Dedicated Own Resources in accordance with instance paragraph G.5.3.1(d). Statutory Default interest will be charged on the amount owed to ALPEX by the Defaulting Clearing Member, calculated as of the day following the Cash Settlement date of the relevant amount, as notified by ALPEX.
- G.5.3.3 The minimum size of Dedicated Own Resources is set at two percent (2%) of ALPEX's share capital. ALPEX readjusts its Dedicated Own Resources, according to the aforesaid percentage, each time there is a change in the size of its share capital.
- G.5.3.4 In the event of Default which results in the use of the share accounts of the Default Fund and the Dedicated Own Resources of ALPEX in part or in whole, in accordance with respectively of paragraph G.5.3.1, ALPEX shall, for the purpose of covering the remaining portion of the loss and in order to continue its operation as a Central Counterparty after dealing with the Default of the Clearing Member, take the following measures, setting a relevant time schedule for their implementation:
- (a) activation of the replenishment of Default Fund resources in accordance with section C.1.1;
 - (b) at the same time as the activation of the measure of instance in paragraph G.5.3.4(a), it shall replenish its Dedicated Own Resources to meet the requirement of paragraph G.5.3.3, and
 - (c) it shall specify the necessary risk cover measures, as appropriate, for the operational needs of Clearing until replenishment of the resources of instances in paragraphs G.5.3.4(a) and G.5.3.4(b). For the purposes of the preceding sentence, the risk cover measures may include, by way of indication, increasing Margin requirements, increasing the percentages of liquid assets accepted as collateral, as well as other measures which may be taken also by way of derogation from this Procedures for the purpose of mitigating risk.
- G.5.3.5 ALPEX immediately notifies the Regulatory Authority regarding the Default, the taking of measures and the time schedule for implementing the measures of paragraph G.5.3.4.
- G.5.3.6 Until such time that the measures of paragraph G.5.3.4 have been implemented, Clearing may continue as normal, provided that the participating Clearing Members fulfil their obligations in accordance with the provisions of this Procedures.

G.5.4 **Execution of Collateral**

- G.5.4.1 To satisfy its claims in respect of covering a financial liabilities caused by Default, ALPEX shall use or proceed with Collateral Call Draw Down, as the case may be, of the collateral provided by the Defaulting Clearing Member as follows:
- (a) It shall collect the amounts owed from the cash collateral deposited in its favour in the relevant Cash Collateral Account,

- (b) It shall proceed with the Collateral Call Draw Down of the Letters of Guarantee deposited as collateral by the Defaulting Clearing Member.

G.5.5 Accession Fees and Annual Fee

- G.5.5.1 ALPEX shall publish details of the Accession Fees expressed both in euro with Clearing Member in Kosovo and with Clearing Member in Albanian shall being converted into Lek using the Fix Exchange Rate of Bank of Albania at invoice date.
- G.5.5.2 Clearing Members must pay ALPEX in full and in cash annual fees expressed both in euro with Clearing Member in Kosovo and with Clearing Member in Albanian shall being converted into Lek using the Fix Exchange Rate of Bank of Albania at invoice date.
- G.5.5.3 Annul fees and Accession Fee are paid in a lump sum upon acquisition of the relevant capacity and will not be refunded if such capacity is lost for any reason, including the case of merger.

G.5.6 Others Fees

- G.5.6.1 ALPEX shall publish details of other Fees by Technical Decision of ALPEX.

H. TRANSITIONAL ARRANGEMENTS

H.1 GENERAL

- H.1.1.1 Any reference in the Clearing and Settlement Procedures to anything being required to be done prior to the start of a Year shall, in relation to the First Trading Year only, be deemed to mean prior to the Market Start Date.
- H.1.1.2 Any reference in the Clearing and Settlement Procedures to a period prior to the start of a Year shall, in relation to the First Trading Year only, be deemed to refer to the relevant period prior to the Market Start Date, or such other period as may be determined by the Regulatory Authority.
- H.1.1.3 Any reference in the Clearing and Settlement Procedures to a Year shall, in respect of the First Trading Year, apply only to that part of the year which falls within the First Trading Year.
- H.1.1.4 For the avoidance of doubt, Clearing process shall not commence prior to the Market Start Date.

H.1.2 Credit Limit

- H.1.2.1 Each Clearing Member shall provide the ALPEX with an estimate of its forecast demand for the initial exposure period by not later than 2 weeks prior to the Market Start Date.

H.1.3 Modifications

- H.1.3.1 Modifications shall be processed with a view to better facilitating the achievement by the Clearing and Settlement Procedures of the Clearing and Settlement Procedures Objectives.
- H.1.3.2 Modifications shall be consulted with Parties.