

## **INFORMATION ON TRANSACTION CLEARING**

**Pursuant to Article 39 of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, the central counterparty and the trade repositories**

December 2021

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## 1. DEFINITIONS

The following terms used herein shall have the meanings as set forth below, unless provided otherwise by the content:

<b>Bank</b>	<p>Raiffeisenbank Austria d.d. Magazinska Cesta 69 10000 Zagreb Croatia Phone: +385 1 4566 466 072 62 62 62 Fax: +385 1 4811 624 Email: info@rba.hr Internet: www.rba.hr <b>Swift:</b> RZBHHR2X <b>IBAN:</b> HR0624840081000000013 <b>MBS:</b> 080002366 <b>OIB:</b> 53056966535</p> <p>The Bank has received an authorization for the performance of the following investment services and activities:</p> <ul style="list-style-type: none"> <li>a) reception and transmission of orders in relation to one or more financial instruments</li> <li>b) execution of orders on behalf of clients,</li> <li>c) dealing on own account,</li> <li>d) investment advice,</li> <li>e) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis,</li> <li>f) Placing of financial instruments without a firm commitment basis,</li> <li>g) ancillary services of safekeeping and administration of financial instruments for the account of clients, including custodianship and related services,</li> </ul> <p>The authorization was issued by the Croatian Securities Commission (legal ascendant of the Croatian Financial Services Supervisory Agency having its registered office in Zagreb, Ulica Franje Račkog 6, www.hanfa.hr) and the Croatian National Bank (having its registered office in Zagreb, Trg hrvatskih velikana 3, <a href="http://www.hnb.hr">www.hnb.hr</a>).</p> <p>The Bank is a member of the Zagreb Stock Exchange (Zagrebačka burza d.d.). The Bank is a member of the Central Depository and Clearing Company (Središnje klirinško deponitarno društvo d.d.) The Bank is a member of SKDD-CCP Smart Clear d.d. The Bank participates in the investor protection scheme.</p>
<b>Stock Exchange</b>	Zagrebačka burza d.d. (Zagreb Stock Exchange)
<b>Member</b>	legal entity accepted by SKDD-CCP to become a member of the Clearing System, with which SKDD-CCP has concluded a Membership Agreement
<b>EMIR</b>	Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, the central counterparty and the trade repositories. Text of the Regulation is available on <a href="http://eur-lex.europa.eu/legal-content/HR/TXT/HTML/?uri=CELEX:32012R0648&amp;from=EN">http://eur-lex.europa.eu/legal-content/HR/TXT/HTML/?uri=CELEX:32012R0648&amp;from=EN</a>
<b>Financial instruments</b>	Unambiguously, clearly and precisely defined Financial Instrument, as defined by the Capital Market Act
<b>Assets</b>	Financial instruments and cash held in the Custody and Brokerage Account
<b>Client</b>	One or more private individuals or legal persons or pools of assets without legal personality, which enter into an agreement on brokerage and/or custody services with the Bank
<b>House Account</b>	SKDD-CCP account with bank positions and assets
<b>Collateral</b>	Collateral consists of collateral for Margin and collateral for the Guarantee Fund
<b>Fee</b>	Fees for brokerage and custodial services provided by the Bank to the Client, set out in the "Brokerage and Custody Services Fees", which are available to each Client at the time of arranging the said service, both in the business network and on the Bank's website. The client and the Bank may also negotiate different fees than those set out in the "Brokerage and Custody Services Fees".

<b>Order</b>	Unilateral statement of the Client's will given to, and accepted by, the Bank as part of the brokerage service to perform a certain trade in a particular Financial Instrument in its name on behalf of the Client
<b>Netting</b>	Offsetting of obligations to deliver and receive Financial Instruments and Cash arising from Novated Transactions according to the Position Account, ISIN and Intended settlement date, where the payment obligation is calculated in relation to the corresponding ISIN
<b>Novation</b>	the special novation procedure as defined in Article 535(3) of the CMA, in which the obligation relationship between the buyer and the seller in the Transaction being cleared is replaced by two novated obligation relationships where SKDD-CCP becomes the buyer to the original seller and the seller to the original buyer, and the previous obligation relationship between the original buyer and the seller ceases. A special novation, within the meaning of the preceding sentence, does not constitute a renewal within the meaning of a special law governing obligation relationships, and it is not subject to the application of the provisions on renewal in terms of the law governing obligation relationships.
<b>Novated transaction</b>	a transaction derived from a Novated Accepted Transaction or from an executed Transfer Order.
<b>Individual Account</b>	An account in SKDD-CCP which includes positions and assets of a particular bank client
<b>Rules</b>	The rules of SKDD-CCP are available on their website
<b>Bank's Securities Collateral Account</b>	is a securities account of SKDD-CCP, opened in the Settlement System on behalf of SKDD-CCP, on which the Financial Instruments provided as collateral of the Bank are kept, on which SKDD-CCP holds and manages the Financial Instruments for the Bank's account. All changes and cash receipts in the Bank's Securities collateral account resulting from corporate actions will be adequately recorded in the Bank's collateral accounts.
<b>Bank's Cash collateral account</b>	Is the SKDD-CCP account, opened in "HSVP" (the Croatian Real Time Gross Settlement System or RTGS) on behalf of SKDD-CCP and it is used for the purpose of holding funds provided as collateral by the Bank, on which SKDD-CCP holds and manages funds for the Bank's account. The funds recorded in the Bank's collateral account are the Bank's assets and are not part of the assets of the SKDD-CCP, nor its liquidation or bankruptcy estate, nor can they be subject to enforcement in connection with claims against SKDD-CCP. The Funds held in the Bank's collateral accounts are based on a special security interest in favour of SKDD-CCP, which has the right to dispose of them in accordance with the Financial Collateral Act.
<b>SKDD-CCP</b>	The central counterparty SKDD-CCP Smart Clear d.d., Zagreb Heinzelova 62a, local counterparty for the clearing of transactions which are eligible for contractual settlement on the Croatian market. Until the client selects and confirms the account type, the Bank clear all client transactions through an omnibus account that the Bank opened in its own name on behalf of the client in SKDD-CCP.
<b>Market</b>	Zagrebačka burza d.d. (Zagreb Stock Exchange)
<b>Omnibus Account</b>	Account in SKDD-CCP with positions and assets of several Bank clients

## 2. INTRODUCTION

SKDD-CCP was established to provide CCP services in accordance with Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, the central counterparty and the trade repository. CCPs mediate between counterparties on the financial market and ensure the successful settlement of obligations arising from transactions. With the novice process, SKDD-CCP becomes a buyer to each seller and seller to each buyer, thus ensuring the fulfillment of transactions and reducing the systemic risk of the market. The multilateral netting system provided by the SKDD-CCP, using the risk-adjusted mitigation through financial collateral (Margin and Guarantee Fund), reduces the potential impact of default of one or more market participants even in extreme market conditions on other participants, which may result in financial instability of the system.

As an individual member (CM-Clearing Member) of the clearing system (SKDD-CCP), the Bank may clear:

- transactions it has entered into on the market
- novated transactions it has accepted in the process of transferring the rights and obligations of a novated transaction between the members.

With the Information on Transaction Clearing, the Bank as a member of SKDD-CCP:

- clarifies what clearing is and what are steps in the process,
- offers a choice between an omnibus account and an individual account,
- clarifies the implications of selecting each of these accounts (e.g. account structure, level of protection and different cost depending on account selection, and risks arising from the selection of a particular account),
- clarifies the insolvency related framework.

The information provided to the Client gives a clear and comprehensive insight into all data related to SKDD-CCP. The information provided should assist the Client in making the best decision about what type of account is the best option for meeting the Client's needs when trading in the capital market, in connection with transaction clearing.

The purpose of this document is to clarify the nature, implications and costs of the account types offered by the Bank to its Clients.

Clients are advised to carefully analyze the information, and when they determine which account type provides is best suited for the realization of their needs, they can initiate the appropriate procedure with the Bank.

This information does not apply to transactions arising from the reception and transmission of orders for the purchase or sale of one or more Financial Instruments that are listed on a foreign market or orders which cannot be executed in Croatia or to instruments that are not suitable for clearing, in accordance with the Rules of SKDD-CCP.

The Information on Transaction Clearing (hereinafter referred to as Document) is an integral part of the "Agreement on Order for the Purchase or Sale of Financial Instruments" for brokerage services and/or of the "Custody Agreement" for custodial services (hereinafter referred to as the Agreement). The Bank reserves the right to modify this document in accordance with the legal regulations and business policy of the Bank. Any amendments and modifications to the Document will be published by the Bank on its official website [www.rba.hr](http://www.rba.hr).

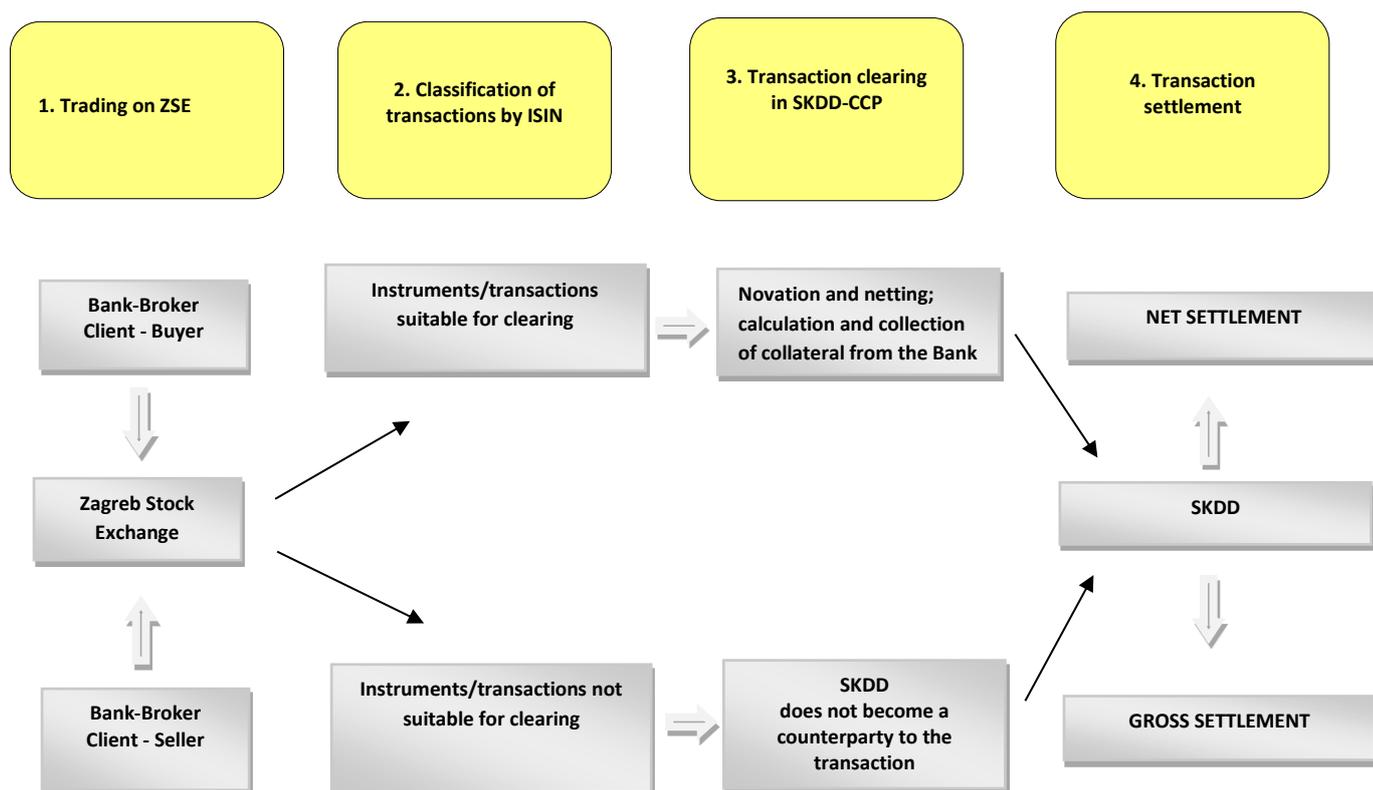
The Bank assumes no legal responsibility for the use of this Document or and is not liable for any direct or indirect, incidental, material or non-material damage, loss or expense incurred as a result of the use of this Document. It is the Client's responsibility to conduct their own due diligence of all the information provided herein and of all documents regulating the operation of SKDD-CCP. All relations between the Bank, Clients and SKDD-CCP are regulated by the Clearing Rules, the EMIR and the accompanying regulations. This Document constitutes no basis for interpretation of these legal sources. The content of this Document constitutes no recommendation or advice

with respect to the selection of the specific account type, appropriate level of protection or use of a specific service or service provider. The Bank shall not be liable for any deficiencies and/or omissions in this Document.

### 3. CLEARING

Once a trade is executed or completed on a regulated market or multilateral trading platform (MTP), clearing and settlement procedure is performed. It refers to the process of matching all data and calculating the due amount of the payment obligation and transferring financial instruments and the process of making the payment and transfer (settlement) of financial instruments. When a financial instrument is traded on the market, the trade is classified according to ISIN as a transaction that is suitable for clearing or a transaction that is not suitable for clearing. If the transaction is suitable, it is cleared through SKDD-CCP. SKDD-CCP engages in a process in which it becomes a CCP by acting as the buyer to every seller and the seller to every buyer. The next step is netting, i.e. calculating and collecting collateral from the broker and clearing the transaction. After the clearing, SKDD-CCP sends a settlement instruction to SKDD, where the transaction which is suitable for clearing is settled through net settlement. If the transaction is not suitable for clearing, SKDD-CCP does not become the counterparty in the transaction, but the transaction is settled in an individual settlement with another participant in the transaction (gross settlement). The list of suitable financial instruments is published on the SKDD-CCP website every working day before the start of trading. Block transactions and OTC transactions are excluded from the clearing system.

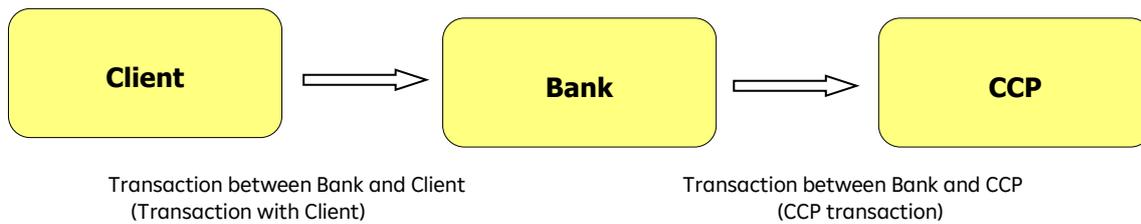
#### Overview of clearing and settlement process



Transaction clearing on behalf of and for the Client's account through the SKDD-CCP system takes place in two separate transactions:

- transactions between the Bank and the Client, and
- transactions between the Bank and the CCP

## Transaction clearing in SKDD-CCP



The terms of each transaction with the Client are the same as those of the related SKDD-CCP transaction, except that:

- any transaction with the Client will be made according to the clearing agreement between the Client and the Bank, and
- The Bank takes a position in the SKDD-CCP transaction which opposite to the position it holds in the related transaction with the Client.

According to the terms of the clearing agreement between the Client and the Bank, the transaction with the Client will also originate without the need for any further steps by either the Client or the Bank, as soon as the SKDD-CCP transaction between the Bank and SKDD-CCP takes place. Once both transactions have been concluded, the transaction with the Client shall be deemed to have been cleared.

The client may give the Bank a request for the transfer or acceptance of rights and obligations under the transaction to be cleared in SKDD-CCP (trade affirmation) through another member. The trade affirmation may only take place for a transaction for which no settlement date has occurred and for which no transfer has already taken place. The Bank may confirm or reject this request.

In order to clear transactions in SKDD-CCP, the Bank must provide collateral. Collateral consists of a margin collateral and a collateral for the Guarantee Fund. The Bank pays the minimum margin amount in full and in cash.

The Bank will finance collateral from its own funds for Clients unless otherwise agreed between the Client and the Bank.

## **4. ACCOUNT TYPES**

The SKDD-CCP system distinguishes between three types of accounts:

### **Bank House Account**

The house account is opened on behalf of and for the Bank's account. It is used for clearing the Bank's proprietary trading transactions and contains the positions and assets of the Bank. The Bank only maintains one such account.

### **Omnibus account**

The omnibus account is set up in the name of the Bank on behalf of the Client. It is used to clear transactions of the Bank's clients. SKDD-CCP segregates transactions and assets in this account from transactions and assets in the Bank's house account. This account is used to clear transactions for multiple Clients. In this account the assets of multiple Clients are combined and the Client is subject to the risk of other clients. SKDD-CCP will not net transactions relating to the omnibus account with transactions related to the house account or to any other type of account that the Bank may maintain, nor will it use assets related to the omnibus account in relation to transactions related to the house account or to other types of accounts that the Bank may maintain at SKDD-CCP. Recorded transactions are netted in the omnibus account, including transactions of the Bank's different clients, and the assets in the omnibus account can be used in relation to any transaction that is cleared through the omnibus account.

Advantages:

- Increasing the efficiency of netting and the associated potentially lower collateral requirements
- Lower account maintenance costs

Disadvantages:

Higher level of risk:

- the risk of default of another investor – the investor’s collateral may be used to cover other defaulting investors’ positions in the same omnibus account
- risk of transferring business – transferring an omnibus account to another member requires the consent of all investors, which may be impracticable

**Individual account**

An individual account is opened in the name of the Bank on behalf of a specific client. It is used to clear transactions of the Bank’s specific client. SKDD-CCP does not net transactions relating to an individual account with transactions relating to a house account or to other type of account that the Bank may maintain, nor will it use assets (collateral) associated with the omnibus account in relation to transactions associated with the house account or with any other type of account that the Bank may maintain at SKDD-CCP.

Advantages:

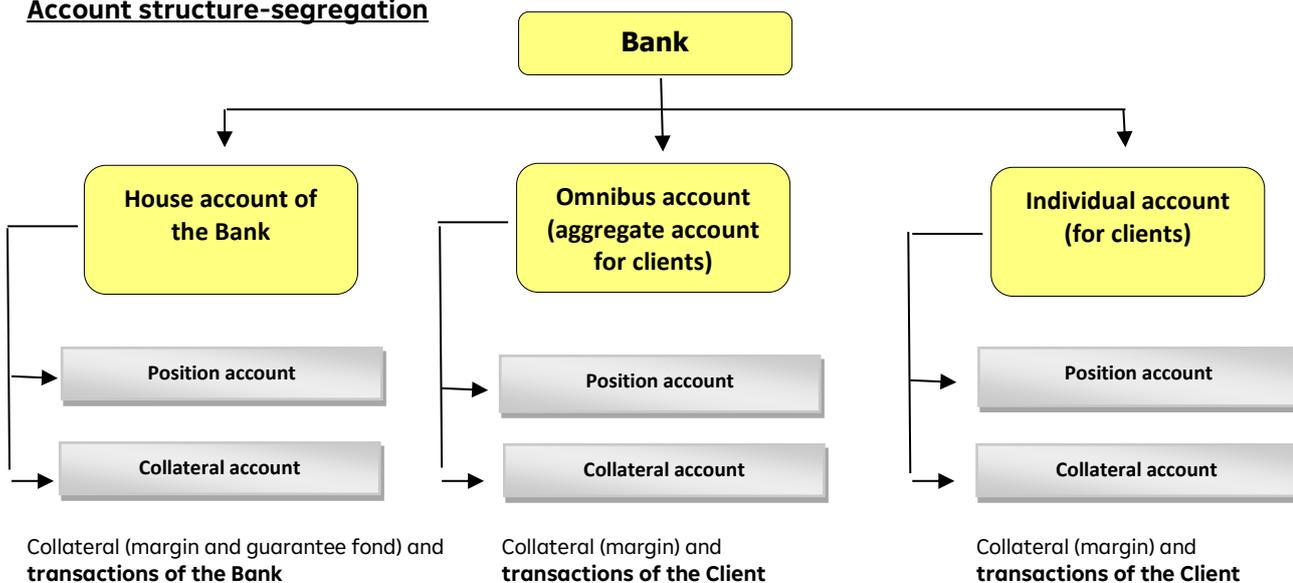
Lower risk level:

- investor is not exposed to the risk of other clients – the investor’s collateral cannot be used to cover other investors’ positions
- investor is protected from the risks of a clearing member providing a clearing service for him
- client decides at its discretion which other clearing member to transfer the account to (not bound by other investors)

Disadvantages:

- reducing the efficiency of netting and the potentially higher collateral requirements associated with this
- higher account maintenance costs

**Account structure-segregation**



This is the mandatory level of segregation that separates the Bank's own collateral and proprietary transactions from the clients. For each of these accounts, clearing liabilities and collateral requirements are calculated separately (there is no netting between the accounts).

Funds/Financial instruments provided as the margin collateral are kept in separate collateral accounts. Separate collateral accounts comprise position accounts and collateral accounts. A position account is a record account that is kept at SKDD-CCP and used to perform the calculated payment obligations. A collateral account is a record account that is kept at SKDD-CCP in the name of the Bank to keep the margin collateral. The Bank increases the value of the margin collateral either by paying the required cash or by delivering the required Financial Instruments (bonds or treasury bills of the Republic of Croatia) eligible for collateral.

Netting is carried out separately for each position account (according to ISIN and the intended settlement date). The Bank meets the obligations (financial obligations and delivery of financial instruments) separately for each position account.

SKDD-CCP uses these accounts to record:

- a) transactions that the Bank enters into in order to clear client transactions, and
- b) assets provided by the Bank to cover obligations in respect of the transactions.

In order to clear the Client's transaction, and in accordance with the Bank's bylaws and the Rules, the Bank is obliged to offer the Client a choice between two types of clearing accounts for transactions executed in the course of providing brokerage services:

- **Omnibus account for clients**
- **Individual account**

Each of these accounts is characterized by different structures, level of protection and different cost as outlined in this document.

Until the Client decides on the account type, the Bank will clear all Client transactions through the Omnibus Account at SKDD-CCP.

If the Client does not agree that transactions are cleared through the Omnibus account, the Client must notify the Bank in writing by e-mail to: [brokeri@rba.hr](mailto:brokeri@rba.hr) or to address: Raiffeisenbank Austria d.d., Brokerski poslovi, Magazinska cesta 69, 10000 Zagreb.

If the Bank does not receive a notification from client, Client will be deemed to have agreed to the clearing transactions through the Omnibus account.

## **5. CLEARING VIOLATIONS**

A clearing violation occurs if the Bank fails to comply with clearing obligations (default on the obligation to deliver Financial Instruments on the basis of the calculated financial obligation or default on the obligation to make payments on the basis of the calculated financial obligation) and/or non-compliance with collateral obligations by the Bank.

In the event of a violation of the clearing rules, SKDD-CCP takes the measures and procedures laid down in its Rules.

If the Bank defaults on the obligation to increase the collateral value in accordance with the Rules, SKDD-CCP sends to the market a request to halt trading (trading kill-switch). If trading is suspended, all orders from the Bank (Bank's own orders and Client orders) placed on the market will be cancelled regardless of the account type. When the Bank performs the obligation, SKDD-CCP will send a request to the market to lift the trading suspension, and the clients' open orders will be placed on the market again. In this case, the Bank shall not be liable for any losses arising from the non-execution of the Client orders on the market and/or the Client's not being able to cancel or modify the order, etc. After the termination of the trading suspension and resumed placing orders on the market, the Bank will

act in accordance with the Order execution policy for brokerage clients. Other measures may be taken for non-compliance by the Bank with the obligations prescribed under the Rules, for instance, issuing a warning or notice to the Bank, providing the Bank with guidance in respect of future actions, taking a decision on the suspension or exclusion of the Bank or other measures.

As a last resort measure for clearing violations, SKDD-CCP may decide to exclude the Bank from SKDD-CCP. In case the Bank is excluded, SKDD-CCP transfers operations from the Bank's account to the accounts of the member selected by the clients.

In the case of the Omnibus Account, this means that all Bank clients whose assets are held in the Bank's accounts at SKDD-CCP must agree to the transfer to the member which has been selected for the transfer, because this account type is transferred only as an Omnibus Account, not as an Individual Account. The member to which the account operation is transferred must accept all positions and assets in such Omnibus account before the transfer commences. In order to mitigate the risk of transferring account operation, SKDD-CCP has provided for an option to determine a joint representative of all Bank clients to represent the Bank clients during the transfer process based on appropriate powers of attorney.

In the case of the Individual Account, the process of transferring account operation is much simpler and faster since SKDD-CCP can easily identify the Client for whose account the transfer is conducted. Before starting the transfer, the member to which the transfer is made must accept all positions and assets in the Individual Account. The client decides at its discretion to whom the account is to be transferred. When reconciling obligations, SKDD-CCP will easily identify the client for which the Bank maintains the Individual Account and pay the client the funds directly in case the reconciled amount is positive after the necessary actions have been carried out.

## 6. RISKS

As already mentioned, the Bank, as a member of SKDD-CCP, can offer clients either an omnibus account or an individual account. The section below provides comparison of the two account types and their level of segregation in relation to their risks.

When assessing risks associated with different account types, the following parameters should be taken into consideration:

- a) Risk of default of the Bank – relates to the Client's exposure to the Bank in relation to transactions that the Client executes and clears through the Bank
- b) Risk of default of the Bank's clients – relates to the Client's exposure to other clients of the Bank in relation to transactions that the Client executes and clears through the Bank
- c) Liquidity risk – relates to a situation in which the non-monetary assets of the Client must be liquidated in the process of transferring the business. In this case, the value of the asset determined by the SKDD-CCP may differ from the Client's expectations of the total value of the asset
- d) Haircut risk - refers to a situation in which the value of assets associated with SKDD-CCP transactions has been reduced or not increased by the amount the Client expects because SKDD-CCP has reduced the value of the property by an amount that does not properly reflect the value of the property
- e) Risk of joint valuation refers to a situation where the value of assets related to SKDD-CCP transactions may decrease or not increase as much as the Client expects due to the impairment of the assets recorded in relation to the SKDD-CCP transactions of other clients of the Bank
- f) Risk of SKDD-CCP default - relates to the Client's exposure to SKDD-CCP in relation to transactions that the Client clears through SKDD-CCP and the assets recorded in the accounts at SKDD-CCP.

	Omnibus account	Individual account
Risk of default of Bank	Yes	Yes

Risk of default of Bank clients	Yes	No
Liquidity risk	Yes	Yes
Haircut risk	Yes	Yes
Risk of joint valuation	Yes	No
Risk of default of SKDD-CCP	Yes	Yes

## 7. COSTS AND CHARGES

Information about the service charges and costs are provided in the Schedule of Fees, which is available to each Client when the respective service is arranged. In the event that the Bank's regular tariff is negotiated, the Schedule of Fees is available also in the business network and on the website of the Bank.

The Bank may modify at its discretion the Schedule of Fees during the term of the Agreement and has a duty to publish the information on new fees and charges on the Bank's website, [www.rba.hr](http://www.rba.hr), fifteen days prior to the effective date.

In the event that the Client does not agree to the modification of service fees, the Client must inform the Bank in writing about the non-acceptance of the fee within 8 days from the date of service/publication of the amended fees, where such notice of the Client is considered to be the termination of the Contract. During the notice period, the Bank will charge the Client until then valid fees.

If the Bank provides the client with a transaction clearing service in the Individual Account opened by the Bank with the CCP on behalf of and on behalf of the Client, then the Bank charges the following fees:

One-time account opening fee	10,000.00 HRK
Annual account maintenance fee	30,000.00 HRK
Transaction clearing	10,00 HRK/per stock exchange transaction
Acceptance of rights and obligations under a transaction carried out on the stock exchange through another member	0.10% of transaction value
Transfer of rights and obligations under transaction of the Bank	free of charge

In addition to the fee, the Bank reserves the right also to calculate and charge any actual costs (third-party charges, duties, taxes, possible penalties, fines and other expenses) incurred in the performance of the clearing service.

## 8. PROCEDURE IN CASE OF INSOLVENCY OF A CLEARING MEMBER

If a member is subject to insolvency or bankruptcy proceedings, which is a measure to ensure prohibition of withdrawals from accounts and prohibition of the disposal of financial instruments in accordance with the legislation governing bankruptcy proceedings and any other collective proceedings provided for by the law of the Republic of Croatia, of a Member State or of a third State which is aimed at the winding-up or reorganisation of members, and includes a temporary or permanent suspension or restriction of the payment or transfer of financial instruments, then, in accordance with the Rules, funds and financial instruments recorded in collateral accounts for the member's clients or collateral accounts for the member's separated clients are not part of the liquidation or bankruptcy estate of the member, of SKDD-CCP or of SKDD, nor can they be subject to enforcement in connection with a claim against the member, regardless of whether the collateral holder is a member or a client.

If the transaction data from the market include transactions concluded by a member after the opening of insolvency proceedings, SKDD-CCP will not accept such transactions into the clearing system, and the member's transactions which have already been accepted and novated after the opening of the insolvency proceedings will be cancelled.

SKDD-CCP informs HANFA and the members who are contracting parties in the cancelled novated transactions about non-acceptance of transactions or cancellation of novated transactions.

In the case SKDD-CCP intends to discontinue providing clearing service as its business activity, or SKDD-CCP loses its authorisation to provide the CCP service, or in the case of default on the obligations of SKDD-CCP, or if insolvency proceedings are initiated against SKDD-CCP, the final netting of obligations between SKDD-CCP and all Members will be performed. The management board of SKDD-CCP will make a decision on the close-out netting and define the date of the close-out netting in that decision.

Opening bankruptcy, resolution or winding-up proceedings, as well as taking other legal action against parties in the clearing and/or settlement system or against other legal entities where the consequences of such proceedings or measures are the suspension or default by such participants or other legal entities or the limitation of their ability to freely dispose of assets, including temporary prohibitions under the laws governing the establishment and operation of credit institutions applicable when opening insolvency proceedings against a credit institution, such proceedings or measures shall not have legal effects on the funds held in the special dedicated cash accounts opened with the payment system operator, even if such proceedings or winding-up have been initiated or even if other legal measures have been taken before the settlement of the transaction is carried out

Opening bankruptcy, resolution or winding-up proceedings against the entities referred to in the preceding paragraph, as well as taking other legal measures, where the consequences of such proceedings or measures are the suspension or default by the participants or the limitation of their ability to freely dispose of assets, including temporary prohibitions under the laws governing the establishment and operation of credit institutions applicable when opening insolvency proceedings against a credit institution, have no legal effects on the taker of financial collateral within the meaning of the special law governing financial collateral, in relation to the financial collateral which has been transferred by clearing and/or settlement participants or other legal entities to another participant or clearing system operator (financial collateral taker) or over which a special security interest (lien) is established in favor of another participant or clearing system operator within the meaning of a special law governing financial collateral, under the conditions laid down in the rules of the clearing system operator.

The opening of bankruptcy proceedings does not affect qualifying financial contracts that are cleared through the CCP if the contracting parties have agreed to the netting, and compensation for default may be claimed in accordance with the content of the contract. If, after the netting of the mutual claim, the obligation of the insolvency debtor remains, the creditor may realize such claim in insolvency proceedings as the insolvency creditor. Qualifying financial contracts are considered to be qualifying financial contracts as defined by the provisions of the law governing insolvency proceedings, where one of the contracting parties is the CCP, provided that the order is entered into the clearing system before the commencement of insolvency, resolution or winding-up proceedings. The protection does not apply to orders that have been accepted into the clearing system, but are subsequently cancelled in accordance with the rules of the clearing system.

The financial collateral provided in connection with the participation in the financial instrument clearing or settlement system and provided to the system operator or the participant in the system is excluded from the insolvency estate:

1. of the participant which provided the financial collateral, or
2. of the participant which has concluded an interoperability agreement with that system within the meaning of a specific law governing the finality of settlement in payment systems and financial instrument settlement systems and which provided the financial collateral, or
3. of the operator of the system, other than the participant, with which that system has concluded interoperability agreements within the meaning of a specific law governing the finality of settlement in payment systems and financial instrument settlement systems, or
4. of any other person which has provided financial collateral in the case of the opening of insolvency proceedings against any of those entities.

The opening of insolvency proceedings against a participant in a financial instrument clearing or settlement system does not prevent the use of:

1. funds and financial instruments, deposited and registered in collateral accounts within the meaning of the law governing financial collateral that is not encumbered by real rights in favor of third parties
2. financial instruments in collateral accounts within the meaning of the law governing an insolvent entity's financial collateral which is recorded as financial collateral for a loan, within the meaning of a special law governing the finality of settlement in payment systems and financial instrument settlement systems, which have provided to the financial instruments settlement system if such loan, in accordance with the terms of the loan agreement, can be disbursed for the purposes of fulfilling the insolvent entity's obligations arising from the settlement order entered into the system no later than the system working day that began on the date on which the insolvency proceedings are opened (the system working day is the execution cycle of the order defined in the operating rules of the financial instrument settlement system, in the course of which cycle the clearing and settlement are carried out, as well as other related actions, and such day may end on the next calendar day).

The financial instruments and funds of the participants in the clearing system referred to in the preceding paragraphs, as well as the financial instruments and funds of the clients of the clearing system participants, over which financial collateral security right is established in favor of the clearing system operator within the meaning of the law governing financial collateral, are not part of the assets or of the insolvency or liquidation estate of the clearing system operator, nor can they be subject to enforcement against the clearing system operator; unless a financial collateral contract transfers the financial collateral within the meaning of a specific law governing financial collateral, to the clearing system operator.

The funds in the account of the operator of the financial instrument clearing system opened in the payment system with the Croatian National Bank, on which the special security interest (lien) is created, within the meaning of the special law governing financial collateral, may not be subject to enforcement against the clearing system operator. In the event that a clearing system participant is subject to bankruptcy proceedings or other insolvency proceedings, the insolvency administrator of the clearing system participant is not authorised to contest or dispute the proceedings for the transfer of assets and positions of clients of clearing members held by a clearing member against which bankruptcy proceedings or other insolvency proceedings have been initiated.

Funds and financial instruments recorded in the Bank's client collateral accounts, Collateral accounts for the Bank's separate clients are not part of the liquidation or bankruptcy estate of the Bank, of SKDD-CCP or if SKDD, nor can they be subject to enforcement in respect of the claims against the Bank, regardless of whether the collateral holder is the Bank or the Client.

The fulfilment of obligations under the financial collateral agreement, including the early termination or the calculation of obligations, will be carried out in accordance with the relevant agreement regardless of the fact that insolvency proceedings have been opened or winding-up proceedings have been initiated or reorganisation measures have been initiated against the financial collateral provider or taker.

In the case of opening insolvency proceedings against a participant in the system or in any other interoperable system or against an interoperable system operator other than a participant, transfer and calculation orders shall be valid and binding on third parties if the transfer orders are accepted in the system in accordance with the system operating rules prior to the time of opening of the insolvency proceedings.

In the event of the opening of insolvency proceedings against a participant or operator of another interoperable system, the available funds or Financial instruments in that participant's settlement account may be used to fulfil its obligations in the system or in other interoperable system on the working day on which the proceedings are opened.

The rights of the system operator or of a participant to the collateral they have obtained in connection with the operation of the system or other interoperable system, and the rights of the Croatian National Bank to the collateral it has obtained, are not affected by the insolvency proceedings: a) against the participant (in the system or other interoperable system), b) against the interoperable system operator other than a participant, c) against the counterparty of the Croatian National Bank or d) against any third party which provided the collateral. Such collateral may be used for the purpose of exercising those rights.