Features of REPO transactions

1. Subject of the present Appendix

1.1 The present Appendix to the Terms and Conditions of Rendering Investment Services by AS KIT Finance Europe defines the order of conclusion of over-the-counter (OTC) REPO transactions (hereinafter – the Appendix).

1.2 A REPO contract shall be deemed a contract, under which one Party, namely, the seller under the REPO contract (hereinafter referred to as the Initial Seller) shall deliver securities in the ownership of the other Party, namely, the buyer under the REPO contract (hereinafter referred to as the Initial Buyer) within the term stipulated by such contract, and the Initial Buyer shall take delivery of such securities and pay a certain amount of money for them (first leg of the REPO), and the Initial Buyer shall deliver the securities in the ownership of the Initial Seller within the term stipulated by such contract, and the Initial Seller shall take delivery of such securities and pay a certain amount of money for them (second leg of the REPO). Under a REPO contract, liabilities of the Parties under the second leg of the REPO shall arise when the liabilities under the first leg of the REPO have been discharged.

2. Terms and definitions

2.1 Unless otherwise expressly stipulated in the present Appendix, the following definitions of the basic terms shall apply:

**Interest Accrual Base** shall mean the actual number of days in a year (365 or 366) for transactions in Russian rubles (RUB) and British pounds (GBP) and 360 days for transactions in other currencies unless otherwise agreed between the Parties for the Transaction.

**Settlement Currency** shall mean the currency, in which the Parties have agreed to make payments under the REPO contract.

**REPO Contract Currency** shall mean the currency, in which the Parties set the Purchase Amount and the Repurchase Amount under the REPO Contract.

**Repurchase Date** shall mean a term agreed by the Parties as a condition of the REPO Contract and defined by a date or time interval when the Initial Seller under the REPO Contract shall transfer the Repurchase Amount to the Initial Buyer. If the Repurchase Date that has been agreed by the Parties is not a Business Day, the Repurchase Date shall be deemed the next Business Day.

**Settlement date of the second leg of the REPO Contract** shall mean the date when the Initial Seller’s liabilities to transfer the Repurchase Amount are discharged or the date when the Initial Buyer’s liabilities to deliver the Securities under second leg of the REPO Contract are discharged, whichever is the latest.

**Settlement date of the first leg of the REPO Contract** shall mean the date when the Initial Buyer’s liabilities to transfer the Purchase Amount are discharged or the date when the Initial Seller’s liabilities to deliver the Securities under first leg of the REPO Contract are discharged, whichever is the latest.

**Purchase Date** shall mean a date agreed by the Parties as a condition of the REPO Contract when the Initial Buyer shall transfer the Purchase Amount to the Initial Seller. If the Purchase Date agreed by the Parties is not a Business Day, the Purchase Date shall be deemed the next Business Day.
Deliver**y Date of the second leg of the REPO Contract** shall mean a date agreed by the Parties as a condition of the REPO Contract when the Initial Buyer shall transfer the Securities to the Initial Seller. If the Delivery Date agreed by the Parties is not a Business Day, the Delivery shall be deemed the next Business Day.

**Delivery Date of the first leg of the REPO Contract** shall mean a date agreed by the Parties as a condition of the REPO Contract when the Initial Seller shall transfer the Securities to the Initial Buyer. If the Delivery Date agreed by the Parties is not a Business Day, the Delivery shall be deemed the next Business Day.

**Termination Claim date of the Open Date REPO Contract** shall mean a date to be agreed by the Parties entering an open date REPO Contract so that a Termination claim of the REPO Contract may be made on any Business Day on or before such date by the party entitled to make such claim according to the conditions of the REPO Contract.

**Marginal Securities** shall mean securities that are identical to the securities under the REPO Contract, which are transferred as collateral by the Initial Buyer or the Initial Seller under the REPO Contract for a specific term on the condition of repayment and are not regarded as prepayment or early delivery of the second leg of the REPO Contract.

**Margin Deposit** shall mean cash or/and Margin Securities, which are transferred as collateral by the Initial Buyer or Initial Seller under the REPO Contract for a specific term on the condition of repayment to secure liabilities under the REPO Contract and are not regarded as prepayment or early delivery of the second leg of the REPO Contract. The amount of the Margin Deposit shall be determined based on a calculation of the Net Exposure.

**Margin Ratio** shall mean a percentage showing the ratio of the Purchase Amount and Present Value as of the date when the REPO Contract is made.

**Defaulting Party** shall mean a party that has defaulted on any of the contract conditions that are listed in clause 9 of the present Appendix.

**Default Interest** shall mean a penalty for late payment or late discharge of financial liabilities, which shall be calculated as a percentage of the amount.

**Confirmation** shall mean a document, which is sent by one Party to another or/and by the Investment Firm to the client using any method that has been agreed by the Parties and contains all the conditions of the executed REPO Contract or the conditions concerning amendment, discharge or other termination of liabilities or exercise of rights under the REPO Contract.

**Business Day** shall mean a day when the Clearing System / Bank may settle / make a transfer of securities / cash in the relevant currency.

**Open Date REPO** (Open Date REPO Contract) shall mean a REPO Contract where the occurrence of the Repurchase Date and the Delivery Date under Part 2 of the REPO Contract shall be determined upon a claim of the party that is entitled to make such claim according to the conditions of the REPO Contract on any Business Day before the Claim Date of Termination of the Open Date REPO Contract.

**Net Exposure** shall mean a value that is calculated by the formula in clause 6.3.1.

**REPO Term** shall mean a period in calendar days starting from the date following the Settlement Date of the first leg of the REPO Contract and until the settlement of the second leg of the REPO
Contract (and including). For REPO Contracts where first and second leg are settled on the same day, the REPO Term shall be equal to one day.

**REPO Rate** shall mean a value expressed as an annual percentage and used by the Parties to calculate their liabilities to each other under second leg of the REPO Contract. Such rate may be fixed or calculated. Using REPO Rate, it shall be possible to calculate the Present Repurchase Amount on any day during the REPO Term.

**Repurchase Amount** shall mean an amount of money that is payable by the Initial Seller to the Initial Buyer as a liability under second leg of the REPO Contract.

**Purchase Amount** shall mean an amount of money that is payable by the Initial Buyer to the Initial Seller as a liability under first leg of the REPO Contract.

**Maintenance Margin** shall mean the value of the allowed variation of the Margin Deficit/Excess, which is agreed by the Parties when the REPO Contract is made, so that when it falls below than the agreed amount, a Margin Call may be made. If the present market price of the securities falls below the agreed limit, the Initial Buyer may require the Initial Seller to deliver extra cash or/and Margin Securities so that the total market value of the securities would be equivalent to the haircut in accordance with the conditions of the REPO transaction. The Maintenance Margin shall be calculated using the formula in clause 6.3.2 of the present Appendix.

3. **Representations and warranties of the parties**

3.1 The Parties represent and warrant that:

3.1.1 the Securities / Cash that they deliver (transfer) are free of any lien, claim, charge or encumbrance.

3.1.2 they are authorized and able to transfer the Securities / Cash to the other Party.

4. **Essential conditions of a REPO Contract**

4.1 The Parties acknowledge that the following conditions shall be essential conditions of REPO Contracts:

4.1.1 Securities that are the subject matter of the REPO Contract. The condition shall be deemed agreed if the following has been determined without any ambiguity:

a) the name of the party (-ies) that issued (granted) the securities, for company shares also the category (type), for shares in mutual funds also the name of the mutual fund;

b) ISIN or state registration number and other details stipulated by the law for the given sort (category, type) of securities (issuer’s name, type, form, etc.);

4.1.2 Amount of the Securities or the procedure of its calculation (in pieces or as their total par value);

4.1.3 REPO Contract Currency;

4.1.4 Price of first leg of the REPO. This is not an essential condition of a REPO Contract if the Parties have agreed the Present Value as of the date when the REPO Contract is made and the Haircut rate.

4.1.5 Purchase Amount or the procedure for its determination;
4.1.6 Contractual Currency and the applicable rate of revaluation of the first leg of the REPO Contract. This is not an essential condition of a REPO Contract if the Settlement Currency is the same as the REPO Contract Currency;

4.1.7 Purchase Date;

4.1.8 Securities Delivery Date of the first leg of the REPO Contract;

4.1.9 Procedure of settlements of the first leg of the REPO Contract;

4.1.10 REPO Rate. This is not an essential condition of a REPO Contract if the Parties have agreed the Purchase Amount, the Repurchase Amount, and the REPO Term;

4.1.11 REPO Term. This is not an essential condition of a REPO Contract if the Parties have agreed the settlement dates under first and second leg of the REPO;

4.1.12 Repurchase Amount or the procedure for its determination;

4.1.13 Settlement Currency and the applicable rate of revaluation of the second leg of the REPO Contract. This is not an essential condition of a REPO Contract if the Settlement Currency is the same as the REPO Contract Currency;

4.1.14 Repurchase Date. This is not an essential condition for Open Date REPO Contracts;

4.1.15 Second leg Securities Delivery Date of the REPO Contract. This is not an essential condition for Open Date REPO Contracts;

4.1.16 Payment / crediting of assets in case of a significant change of the Maintenance Margin pursuant to a claim;

4.1.17 If the issuer of the Securities pays any income on the securities during the REPO Term including dividends / coupon income / partial repayment, the Initial Buyer shall do all the necessary things stipulated by section 7 of the present Appendix in relation to the Initial Seller;

4.1.18 If the Parties are making an Open Date REPO, a condition that the contract is an Open Date REPO shall be an essential condition. The following shall be an essential condition of such REPO Contract:

- Final Claim Date of the Open Date REPO;
- statement of the Party (Initial Buyer or/and Initial Seller) that is entitled to send a claim for termination of the the REPO Contract to the other Party;

4.1.19 If the Parties are making an Open Date REPO, the minimum REPO Term shall be one week unless otherwise stipulated by the REPO Contract.

4.2 If the Purchase Date, the Repurchase Date or the Date of Delivery of the first or second leg of the REPO Contract is a non-Business Day for the purpose of settlements under REPO Contracts, the next following Business Day shall be deemed the Purchase Date, the Repurchase Date or the Date of Delivery of the first or second leg of the REPO Contract, respectively. In such case, the actual price of sale (purchase) of the Security shall be used for of the first and second leg of the REPO Contract notwithstanding the market (rated) value of such Securities. Such sale (purchase) price shall be calculated in view of the accrued interest (coupon) income as of the date of transfer of title to the Securities.
4.3 The condition of replacement of Securities shall be an amendment of the REPO Contract on demand of the Initial Buyer and may entail an amendment of the price if a procedure for its determination has been established. The replacement condition shall not affect the term of settlement of the second leg of the REPO Contract. The Securities shall also be replaced if their issuer takes corporate action for consolidation, conversion or splitting of securities.

The REPO Contract shall be amended in respect of replacement of Securities by way of exchange of Confirmations. The Initial Buyer is entitled to demand replacement of Securities under the REPO Contract, and the Initial Seller shall do all the necessary things for replacement of Securities under the REPO Contract in the following cases, namely, if the Securities are excluded from the list of securities allowed for trading by the Trade Organizer (stock exchange); breach of the issuer’s liabilities under the Securities; corporate action taken by the issuer of the Securities for consolidation, conversion or splitting of securities. The number of replacing securities shall be determined based on the Present Repurchase Amount and Present Value of the replacing securities as of the date when the replacement demand is made. Securities may not be replaced on demand of the Initial Seller.

4.4 The Parties shall negotiate the conditions of the REPO Contract. During such negotiations, the parameters of the REPO Contract for determining (calculating) all the essential conditions of the REPO Contract without any ambiguity shall be agreed.

5. Order of fulfillment of obligations under the REPO Contract

5.1 Under an Open Date REPO Contract, the Party entitled to make a Termination claim under the REPO Contract may on any Business Day before the Termination Claim Date of execution of the Open Date Contract send a claim to the other Party for termination of the Open Date REPO Contract with statement of the expected date when the liabilities of the second leg of such Open Date REPO Contract shall be discharged.

5.2 Such claim shall be sent at least three Business Days before the expected Termination Date of second leg of the REPO Contract but in any case no later than the time that is sufficient for timely transfer of the Securities that are the subject of the Open Date REPO Contract and no later than the time that is required for settlements.

5.3 The other Party shall unconditionally agree with the conditions of performance under the Open Date REPO if they are in accordance with the requirements of the present Appendix, and such Party shall discharge its liabilities under Part 2 of the Open Date REPO Contract in the time set forth in such claim.

6. Revaluation of liabilities under the REPO Contract

6.1. If as a result of a Net Exposure revaluation the maintenance margin falls below the minimum value, the Initial Buyer shall send a margin call (hereinafter MC) to the Initial Seller containing the amount of the margin deficit no later than the next Business Day following the day when the quotes are received. The Initial Seller shall transfer assets in the amount stated in the notice to the Initial Buyer’s account within two business days after such notice using the details stated in clause 12 of the present Appendix.

6.2. The method for sending margin calls shall be agreed by the Parties when the REPO deal is made and stated in the deal confirmation.
6.3. Revaluation of the Net Exposure and calculation of the Maintenance Margin shall be done using the portfolio method, i.e. in aggregate for all the transactions made by the Parties within the framework of the REPO Contract unless otherwise agreed when the transaction is made, and they shall be calculated as follows:

6.3.1 Revaluation of the position risk shall be done using the following formula:

\[
\text{Net Exposure} = (\text{MV} + \text{MTS}) - (\text{RP} - \text{MTC}), \quad \text{where } D(\text{Position Risk}) = [-\infty; 0],
\]

where

MV is the present market value of securities transferred under the REPO transaction

MTS is the present market value of securities for repayment of MC

RP is the present REPO amount

MTC is the money credited for repayment of MC

6.3.2 The Maintenance Margin shall be calculated as follows:

\[
\frac{[(\text{MV} + \text{MTS}) - (\text{RP} - \text{MTC})]}{\text{MV} + \text{MTS}}
\]

6.4. The Present Value of the Securities at any time on a Business Day shall be determined in the REPO Contract Currency as follows:

6.4.1. For Securities traded on a stock exchange, the Present Value shall be determined based on market data of the exchange where the relevant Securities are listed;

6.4.2 For Securities off-exchange traded securities or if there are no stock exchange quotes on the date when the Present Value is determined, when the Present Value shall be determined based on data of the Bloomberg information agency unless otherwise agreed when making the REPO Contract;

6.5. If the REPO Contract Currency is different from the currency of the quote applied, the Present Value shall be determined based on conversion of the said quote in the REPO Contract Currency using the market rate of the European Central Bank as established on the interbank money market when the Present Value is being determined.

7. Payment of income on securities

7.1 Unless the Parties have agreed otherwise when making the REPO Contract, if in the period between the dates of transfer of title to the Securities under first and second leg of the REPO a list of persons is made who are entitled to receive cash or other assets including dividends, interest income or partial repayment from the issuer or/and the person who emitted the Securities that are the subject of the REPO Contract, the amounts of money that are equivalent to the payments from the issuer or/and the person who provided the Securities or/and the other assets or its equivalent (hereinafter referred to as Income on Securities) shall be transferred by the Initial Buyer to the Initial Seller as part of the liabilities of the Initial Buyer under the REPO Contract.

7.2 If under the REPO Contract the Income on Securities shall not be transferred to the Initial Seller, they shall be credited as part of the Repurchase Amount of the second leg of the REPO Contract.

7.2.1 Save for other cases stipulated in the present Appendix, if in the period between the dates of transfer of title to the Securities of the first and second leg of the REPO Contract (or the dates of termination of liabilities of the first and second leg of the REPO Contract by net-off in cases stipulated in the present Appendix) a list of owners is made, the Initial Buyer shall exercise all the rights of the owner in relation to the Securities received under Part 1 of the REPO Contract.
7.2.2 If the Initial Buyer is included on the list of holders of securities who are entitled to participate in the General Meeting of Shareholders, then in the period between the dates of transfer of title to the Securities of the first and second leg of the REPO Contract (or the dates of termination of liabilities of the first and second leg of the REPO Contract by set-off in cases stipulated in the present Appendix), the Initial Seller shall be entitled to vote with the Securities. The Initial Buyer shall grant a power of attorney to the Initial Seller for participation in the General Meeting of Shareholders in case of a respective written request of the Initial Seller. In such case, the Initial Buyer shall not be liable if the Initial Seller is unable to participate in the General Meeting of Shareholders including cases when the Initial Buyer has granted a power of attorney for participation in that General Assembly of Shareholders to other persons, save for cases when the power of attorney has not been executed properly.

7.3 In the event of conversion of Securities on grounds stipulated by the law including splitting/consolidation of shares, conversion of preferred shares, conversion of other issued securities into company shares, conversion at reorganization by way of merger, separation, spin-off or association, or merger of issues of securities, if such conversion has been made on the custody account (personal account) of the Initial Buyer in the period between the dates of transfer of title to the Securities of the first and second leg of the REPO Contract (or the dates of termination of liabilities under of the first and second leg of the REPO Contract by set-off in cases stipulated in the present Appendix), the Initial Buyer shall transfer the Securities received as a result of conversion / splitting / consolidation of second leg of the REPO Contract.

8. Procedure of exchange of confirmations and other information

8.1 Under each REPO Contract, the Investment Firm shall provide a Confirmation under the REPO Contract, which shall contain the Transaction Reference to be used afterwards for message exchange. The Investment Firm shall provide the Confirmation no later than the end of the Business Day following the day when the REPO transaction is made. The Client, in their turn, shall confirm receipt of the confirmation on the same day and notify the Investment Firm about it through the system, via E-mail or using any other method set forth by the Investments Service Regulations (hereinafter referred to as the Regulations).

9. Events of default

9.1 Any of the cases below shall be an event of default according to the present Appendix, and the party that has defaulted on its liabilities shall be regarded as the Defaulting Party and the other Party as the Non-Defaulting Party, respectively:

9.1.1 One of the parties has failed to pay cash or/and deliver securities. The default date shall be deemed the Business Day following the due date of the liability;

9.1.2 One of the parties has failed to send a Confirmation to the other party. The default date shall be deemed the Business Day following the due date of the liability;

9.1.3 One of the parties has notified the other party that a liability stipulated in the present Appendix cannot be discharged. The date of default shall be deemed the date of the default notice as received from the Defaulting Party;

9.2 In addition to the responsibility stipulated by clause 10 of the present Appendix, in the Event of Default the Non-Defaulting Party may at its discretion demand premature discharge of all or any liabilities by sending relevant written notice through the system, via E-mail or using any other method set forth by the Regulations.
10. Responsibility of the Parties

10.1. If a Party has breached or not observed any of the warranties stipulated by the present Appendix, the other Party is entitled to claim reimbursement of any damages incurred through such non-observance or breach. The amount of damages shall be proven by the Party that claims reimbursement with documents.

10.2. A Party that has not discharged its liabilities stipulated by the present Appendix or/and conditions of a REPO Contract in due time (the Defaulting Party) shall pay default interest as set forth hereby on demand of the other Party (the Non-Defaulting Party).

10.2.1. In the event of late payment under the REPO Contract including failure to pay Margin Call amounts in due time, the Defaulting Party shall pay default interest to the Non-Defaulting Party, the amount of such default interest to be calculated based on the amount of cash that has not been paid when due.

10.2.2. In the event of late delivery of Securities under the REPO Contract including failure to pay Margin Call amounts in due time, the Defaulting Party shall pay default interest to the Non-Defaulting Party, the amount of such default interest to be calculated based on the value of the Securities that have not been delivered on time, which shall be equal to the following:

- the Purchase Amount in the event of late performance of the first leg of the REPO Contract;
- the Repurchase Amount in any other case.

10.2.3. If the Non-Defaulting Party has demanded premature termination of the REPO Contract according to clause 9.2 of the present Appendix, the default interest for late payment of Margin Call amounts shall be calculated based on the number of days from the date of transfer of the Margin Call amount as determined in the Confirmation of Transfer of the Margin Call amounts and the date when the Defaulting Party must fulfill its obligations for the second leg of the REPO Contract that is closed prematurely.

10.2.4. For calculation of default interest for late performance, the Parties shall use the following rates: The rate shall be 0.1% per day for each calendar day of the delay charged to the amount of the outstanding liabilities.

10.3. Payment of default interest by the Defaulting Party for late performance shall not exclude the following rights of the Non-Defaulting Party:

- to demand that the Defaulting Party discharge its liabilities of the first/second leg of the REPO Contract or liabilities on Margin Call amounts in due order; or
- if the default is related to a liability of the Defaulting Party of the first leg of the REPO Contract, to terminate the REPO Contract at its discretion by notice to the Defaulting Party;
- if the default is related to payment of Margin Call amounts, to demand premature performance of the second leg of the REPO Contract;
- if the default is related to a liability of the Defaulting Party of the second leg of the REPO Contract, to demand closure of the corresponding REPO Contract.

10.5. Payment of default interest by a late-performing Party shall not relieve such Party from performance and compensation of damages incurred on the other Party by such late performance.

10.6. Any payment received from the Defaulting Party shall be applied for repayment of its debt on the cash liability in the following order:
a) at first, the liability itself shall be repaid;
b) afterwards, the default interest shall be paid.

10.7. Default interest, liquidated damages, and penalties shall be paid in the Contractual Currency.

11. Final provisions

11.1. In the part not covered by the present Appendix, the Parties shall be guided by the provisions of the Terms and Conditions of Rendering Investment Services. In the event of any controversy between the present Appendix and the Terms and Conditions of Rendering Investment Services, the present Appendix shall be applied.

11.7. Every Party may terminate the agreement at any time in accordance with the order stipulated in the Terms and Conditions of Rendering Investment Services.

If any settlements between the Parties (including settlements on default interest) under any REPO Contracts concluded in accordance with the present Appendix remain incomplete on the expected termination date, the date of termination shall be deemed the date when all such issues are settled, while no new REPO Contracts shall be made during that time.