

MTS Finland
SPECIFIC MARKET RULES

Effective as of 25 February 2019

These Specific Market Rules together with MTSAM Common Market Rules collectively constitute the rulebook for MTS Finland and should be read in conjunction with one another. The MTSAM Common Market Rules apply to MTS Finland in their full and entire meaning.

All capitalised terms are taken in their full meaning from the Definitions within the MTSAM Common Market Rules.

1. General Provisions

1.1 Definitions

In addition to the definitions listed in the MTSAM Common Market Rules, the following definitions are also applicable to MTS Finland:

“RFG”	means the medium and long-term debt securities denominated in euro and issued in dematerialized form.
“RFG Segment”	means the segment of the Market dedicated for trading between Participants in RFG’s.
“Specific Market Rules”	means the rules of the Market, specific to a Market Segment as may be made, amended or replaced from time to time by the relevant Market Committee or another body of MTSAM.
“State Treasury Finland”	means a Participant that takes part in trading on the Market and has a Liquidity Provider profile on the RFG segment.
“Primary Dealer”	means an institution that has been designated by the State Treasury Finland as a Primary Dealer.

1.2. Market Rules

1. For the purpose of this Article, all decisions taken by the Company pursuant to the MTSAM Common Market Rules shall be taken by the Board unless specifically delegated by means of a Board Resolution to another body of the Company.

2. Financial Instruments

2.1 Financial Instruments

1. The issuer is the Republic of Finland. The Financial Instruments available for trading are:
 - a. Fixed coupon-bearing Securities

2.2 Minimum Lots

The **minimum Quote quantity** for each Financial Instrument is as follows:

Compulsory Securities *	Euro 2.5 million ,5 million or 10 million
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*minimum quote quantity depends on maturity bucket. For more information, please write to mtsam@mtsam.com or refer to the regulatory specification section on the website.

The **minimum order quantity** for all Financial Instruments is EUR 2.5 million.

The minimum increment quantity is 0.5 million euro for all Securities

The Trading System will reject Quotes and Orders entered for amounts lower than the ones reported in the tables above.

Financial Instruments shall be classified in the following maturity buckets according to their remaining maturity:

1. RFG.

Bucket A	1 year to 3.5 years
Bucket B	3.5 years to 6.5 years
Bucket C	6.5 years to 13.5 years
Bucket D	Over 13.5 years

3. Participants

3.1 Participant admission criteria

In addition to the institutions indicated in Article 3.1 of the MTSAM Common Market Rules, also the Finnish State Treasury can become a Participant. Other institutions requiring admission to trading must:

- a) Belong, either directly or via an agent, to the clearing and settlement institutions and have suitable links with such institution for the settlement of trades on the System.

3.2 Participants admission procedures

1. In addition to what is provided in Article 3.2. of MTSAM Common Market Rules, an institution that wishes to be admitted to trading on MTS Finland as a Market Maker or Liquidity Provider must be a Primary Dealer of the Republic of Finland, or, if not a

Primary Dealer, to have had a total turnover in Finnish government securities of no less than Euro 600 million over the twelve months preceding the date of the present application AND have a net worth as calculated by its respective regulatory instructions for supervisory purposes, of at least euro 250 million;

2. In accordance with MTSAM Common Market rules, an institution that wishes to be admitted to trading on MTS Finland as a Price Taker must have had turnover of no less than euro 300 million in Finnish government securities over the twelve months preceding the date of the present application AND have a net worth as calculated by its respective regulatory instructions for supervisory purposes, of at least euro 100 million;

In addition to what is provided in paragraph 1 and 2 of Article 3.2 of the MTSAM Common Market Rules, paragraph 3 shall be amended as follows:

MTS Finland distinguishes between 3 categories of Participants:

- a. Market Maker
- b. Liquidity Provider
- c. Price Taker

3.3 Participants' on-going undertakings

The MTSAM Common Market Rules apply.

In addition to the undertakings in MTSAM Common Market Rules, each Price Taker shall undertake to the Company and other Participants from time to time:

1. To ensure fulfilment of the conditions referred to in Article 3.3 of MTSAM Common Market Rules and the relevant section of Article 3.2 of these Specific Market Rules.
2. To notify the Company immediately in case of any breach of any of the undertakings in Article 3.3 of MTSAM Common Market Rules and Article 3.2 of these Specific Market Rules.

In addition to the undertakings in the MTSAM Common Market Rules, each Market Maker undertakes to the Company and other Participants from time to time, to make Double-Sided Quotes on the Market in relation to all Financial Instruments assigned to it and to do so in compliance with the provisions regarding quoting commitments. Such undertaking shall not apply to a Financial Instrument while it is suspended from trading on the Market.

The Company may at its discretion:

- a. Agree to a temporary suspension of its undertaking in paragraph [1] above; or
- b. Temporarily suspend a Market Maker's undertaking in paragraph [1] above if normal market conditions do not apply or a MMI occurs; or

- c. Temporarily amend the methods of calculation referred to in the provisions regarding quoting commitments, if normal market conditions do not apply or a MMI occurs.

3.4 Resignation of Participants

The MTSAM Common Market Rules apply

In addition to what is provided in article 3.4. of MTSAM Common Market Rules, a market maker or liquidity provider may change status to Price Taker by giving no less than 1 month notice in writing to MTSAM.

3.5 Suspension of Participants from trading

The MTSAM Common Market Rules apply

3.6 Exclusion of Participants from trading

The MTSAM Common Market Rules apply

3.7 Regional Market Committees

The Market Committee consists of the Primary Dealers of the Finnish State.

On top of it, the following banks are member of the Market Operations Committee:

Barclays Bank

Citigroup

Nordea Bank

HSBC France

4. Trading

4.1 General systems operations

The MTSAM Common Market Rules apply.

4.2 Types of Trade

The MTSAM Common Market Rules apply.

4.3 Market trading hours

The MTSAM Common Market Rules apply.

4.4 Quotes and Orders

The MTSAM Common Market Rules apply.

In addition to the provisions specified in MTSAM Common Market Rules, MTS Finland has further specific provision regarding the contribution of Quotes:

1. Contribution of Quotes in Instrument Class RFG must be made in price.

4.5 Contracts

The MTSAM Common Market Rules apply.

4.6 Conclusion and registration of Trades

The MTSAM Common Market Rules apply.

4.7 Mid-Price crossing

The MTSAM Common Market Rules apply.

4.8 Cancellation of Trades

The MTSAM Common Market Rules apply.

4.9 Market Making Agreements

Participants who enter the Market Maker Agreement should quote the instrument class “RFG” defined as compulsory Financial Instruments by the Finnish State Treasury in accordance with the quoting parameters as set and communicated by the Finnish State Treasury in order to achieve 75% or higher compliance rate - and automatically become eligible to fee-rebate based on quarterly performance as approved by the Board of Directors.

For the sake of the Market Making Agreement, Article 4.9.3. of the Common Market Rules for Instrument Classes “RFG” is not sufficient.

Procedure for Market Makers’ quarterly average adjusted compliance to quoting commitments regarding compulsory Financial Instruments as set by the Finnish State Treasury (Market Making agreement on Instrument Class “RFG”)

1. MTSAM shall notify each Market Maker of the Financial Instruments assigned to it, pursuant to the undertakings in Article 3.3.2 of the MTSAM Common Market Rules, not more than once a calendar month, to the obligation to make Double-Sided Quotes in such Financial Instruments by electronic notification.
2. In order to comply with applicable regulations, the following provisions of the MTSAM Common Market Rules shall apply:
 - (i) Article 4.9.5

(ii) Article 4.9.6

(iii) Article 4.9.7

(iv) Article 4.9.8 will be replaced as follows: Unless otherwise specified in the Specific Market Rules, when a Market Maker is in breach of the Market Making Agreement for three (3) consecutive months, MTSAM reserves the right to issue such Market Maker with a written notice of the breach asking for strict compliance with the Market Making Agreement and an explanation of the reasons behind the breach. Following receipt of the above notification, where the Market Maker in question fails to honour its Quoting Commitments for three (3) additional consecutive months, MTSAM shall have the right to initiate the disciplinary procedure as per Article 7 (...)"

3. Should a Market Maker wish to pursue a Market Making Strategy on Financial Instruments in addition to those allocated to it under the above Article 4.9.1, it must notify MTSAM of its intention to do so not less than 2 Trading Days prior to the commencement of the Market Making Strategy by electronic notification.
4. The Market Making Commitments of Participants include: On each Trading Day to make Quotes on the Market, for at least five (5) hours in relation to each Financial Instrument assigned to it from time to time by MTSAM, and to do so in compliance with the Quoting Spread and Quantity Obligations specified in articles 4.9.5 and 4.9.6.
5. The minimum number of hours in relation to the obligations to make Quotes on the Market per Trading Day during the Trading Hours of the Market is 5 hours.
6. Quoting / Spread Obligations for RFG

Maturity bucket	Minimum quote size (Euro million)	Maximum bid/offer Spread
Bucket A (1.25 - 3.5 years)	10	Complete spread based on time-weighted average spread quoted by all market makers over their best 5 hours plus standard deviation. For quotes of comparable size, there must be no more than 50% difference between bid and ask sizes.
Bucket B (3.5 - 6.5 years)	10	
Bucket C (6.5 - 13.5 years)	10	
Bucket D (13.5+ years)	5	

N.B. Spread is expressed in ticks

At the end of each quarter MTSAM calculate the average compliance of each Market Maker, taking into account technical problems, holiday calendars, exceptional market circumstances and problems of other nature as communicated to MTSAM by the Market Maker.

Should the average quarterly compliance, duly corrected taking into account the abovementioned eventualities, be higher than 75% compliance threshold, the Market Maker will then be entitled to fee rebate as per scheme agreed upon by the Board of Directors after yearend results are known.

Market makers have the option of receiving daily compliance reports upon request containing information on the Best 5Hrs Spreads (5HrSp), the Quantity during best 5Hrs Spreads (5HrQty), the Quotation time and the Compliance Ratio (in %). The compliance ratio is calculated based on the banks performance for the items previously mentioned compared to CompSp and the CompQty. This data would provide simple and straightforward information on relative secondary market performance. If you would like to apply to this service, please send an email to mtsam@mtsam.com.

Calculation of Compliance Ratio for one security:

Definition:

1. Quotation Time. These data provide the total time the security was quoted
2. Best 5Hrs Spread (5HrSp). This is the time weighted average spread of the best (i.e. sharpest quoted) 5 hours of each security. In case the market maker has quoted less than or equal to 5 hours, the time weighted average spread of the total quotation time will be provided here.
3. Quantity during Best 5Hrs Spread (5HrQty). This is the time weighted average quantity expressed in million, quoted during the 5HrSp. In case the market maker has quoted less than or equal to 5 hours, the time weighted average quantity of the total quotation time will be provided here.

A market maker's compliance with quoting requirements will be evaluated on a quarterly basis, based on 5HrSp with ($5HrQty \geq CompQty$) and ($5HrSp \leq CompSp$).

For each Compulsory Financial Instrument (s):

CompQty = Minimum quantity set by the Finnish State Treasury

$$CompSp_s = K + \frac{\sum_{MTSFin \text{ quoting market makers}} 5hrSp}{\# \text{ MTSFin quoting market makers}}$$

With K = Standard deviation

If a market maker has quoted prices in a compulsory Financial Instrument with ($5HrSp \leq CompSp$) and ($5HrQty \geq CompQty$), then the compliance ratio in this security will be:

$$CR_s = \min \left[\frac{Quotation\ time_s}{5}; 1 \right]$$

In other cases, the compliance ratio in the specific security will be zero.

Daily and Quarterly CR (compliance ratio):

The daily CR (DCR) is calculated as:

$$DCR = \frac{\sum_{i \in \text{Benchmark}} CR_i}{\# \text{ Benchmark}}$$

The quarterly CR (QCR) is the sum of all DCR ratios divided by the total number of working days, i.e.

$$QCR = \frac{\sum_{d \in \text{working days}} DCR_d}{\# \text{ working days}}$$

4.10 Law governing Trades

The MTSAM Common Market Rules apply

5. Clearing and settlement of Trades

5.1. Clearing and settlement of Trades

In order to be admitted to trading, MTSFi participants must hold a deposit account with Euroclear or Clearstream Banking.

Participants selecting the possibility to clear transactions through LCH.Clearnet SA, must be a member of RepoClear System.

The Market will be connected to the Clearing and Settlement Institutions via the SWIFT network. On a real time basis, the System will send instructions to these institutions on behalf of Participants.

A SWIFT 518 record directed to LCH.Clearnet SA will be created by the System for a transaction between two participants whom have both selected the possibility to route their transactions to LCH.Clearnet SA but under the condition that the transaction meets the eligibility criteria for registration by LCH.Clearnet SA. Such transactions are anonymous and both parties will find LCH.Clearnet SA as counterpart.

In all other cases, a SWIFT 541 record will be created for the buyer and a SWIFT 543 record for the seller and will be sent to Euroclear and Clearstream on behalf of both Participants. Such transactions are not anonymous.

Each settlement instruction will include all the settlement details, including the settlement amount calculated by the trading system.

The Bridge existing between Euroclear and Clearstream Banking enables settlement of transactions executed by counterparts having accounts open with either agent.

Institutions will receive the matching status reports and the settlement status reports from to Euroclear/Clearstream Banking in the usual manner. Transactions executed on MTS Finland will be distinguished by a special reference code.

On a real time basis, Participants receive detailed trading activity reports, with settlement details, through MTS Finland activity pages on the System.

Participants will authorise Euroclear or Clearstream Banking to settle instructions sent by MTS Associated Markets by executing “Power of Attorney” – arranged by Euroclear/Clearstream Banking – in favour of MTS Associated Markets.

On the Power of Attorney each System Participant must specify the account number he wants to be operated. Every participant will be allowed to use only a single account for clearing transactions executed on MTS Finland.

Executing the Power of Attorney, System Participants also authorise the Company to receive a daily fail report with indications of the trades not settled on the value date, cancelled or modified by members.

Participants selecting the possibility to clear transactions through RepoClear System, will authorize the Company to send instructions on eligible transactions to LCH.Clearnet SA.

In addition to MTSAM Common Market Rules, settlement follows the European CSD regulation:

- a. The settlement cycle for the RFG segment is T+2.
- b. Securities traded in the grey market will be settled on the date of first settlement as determined in the issue conditions of Finland

6. Provision of data and information

6.1 Provision of data to Participants

The MTSAM Common Market Rules apply.

6.2 Provision of data to the Authorities

The MTSAM Common Market Rules apply.

6.3 Provision of data to Debt Management Offices

The MTSAM Common Market Rules apply.

6.4 Provision of data to the public

The MTSAM Common Market Rules apply.

6.5 Amendments and communications

The MTSAM Common Market Rules apply.

7. Supervision and Sanctions

7.1 Monitoring the course of trading

The MTSAM Common Market Rules apply.

7.2 Breach of undertakings

The MTSAM Common Market Rules apply.

7.3 Procedure in respect of article 7.2

The MTSAM Common Market Rules apply.

7.4 Failure to honour Quoting Commitments

The MTSAM Common Market Rules apply.

8. Final Provisions

8.1 Liability

The MTSAM Common Market Rules apply.

8.2 Disputes

The MTSAM Common Market Rules apply.