

Rules and Procedures for User Committee

1 Introduction

- 1.01 The Board of Directors of the Malta Stock Exchange (Board) shall, in line with the Regulation (EU) No 909/2014 (CSDR), establish a user committee (User Committee). These rules define the, in a non-discriminatory way, the mandate for the User Committee, the governance arrangements and operational procedures. The governance arrangements set out herein shall be publicly available on the website of the Malta Stock Exchange.

2 Mandate of the User Committee

- 2.01 The User Committee shall advise the Board in an advisory role on matters that may impact the Securities Settlement System (SSS) of the Malta Stock Exchange (MSE)
- 2.02 The User Committee shall advise the Board on
- (i) key arrangements that impact Issuers and MaltaClear participants,
 - (ii) criteria for the admission of issuers or participants to the MSE SSS
 - (iii) service level of the CSD
 - (iv) and any other matters that may impact the users of the CSD
- 2.03 The User Committees may submit a non-binding opinion to the Board containing detailed reasons regarding the pricing structures of the CSD.
- 2.04 Where relevant, the CSD shall make available to the User Committee audit findings as provided for under Article 26 of Regulation (EU) No 909/2014 (the "**CSDR**") and subject to Section 7 below, where such findings relate to the mandate of the User Committee determined herein.

3 Governance Arrangements of the User Committee

- 3.01 The User Committee shall consist of four Representatives, each representing users of the SSS for a period of 24 (twenty-four) months, as per below
- (i) two representatives from the Issuers having the largest nominal value and /or market capitalisation held at the CSD and traded on the Regular Main Market
 - (ii) a representative of MaltaClear participants
 - (iii) representative from the Central Bank
- 3.02 The Representatives shall elect the Chairman of the User Committee (the "Chairman") by a majority of votes at the first meeting of the User Committee for a term not exceeding 24 (twenty-four) months.

- 3.03 The User Committee shall act and shall take its decisions by simple majority of the votes cast. Each Representative shall have one vote. Resolutions of the User Committee shall be considered to be adopted when the votes "in favour" exceed the votes "against". Each Representative (including the Chairman) can either vote "in favour" or "against" or abstain from voting. In the event of a tied vote, the Chairman shall have the casting vote. The results of the voting are to be recorded in the minutes of the meeting.
- 3.04 User Committee meetings shall have a quorum if at least one-half of the total number of Representatives are present.
- 3.05 The User Committee shall decide on the dates of its meetings on a proposal from the Chairman. It shall, in principle, meet regularly and at least once per year following a schedule that it shall determine in good time before the start of each calendar year. The Chairman shall convene a meeting of the User Committee if a request for a meeting is submitted by at least one Representative. The Chairman may also convene meetings of the User Committee whenever deemed necessary.
- 3.06 The Chairman shall select the secretary for the User Committee. If the Chairman so requests, the Board shall appoint an official to act as secretary of the User Committee. The Secretary shall assist the Chairman in preparing the meeting, attend all meetings and shall take the minutes and perform administrative duties.
- 3.07 The Chairman shall, beside chairing the meetings, arrange and organise the work of the User Committee, including convening the meetings and drawing up the agenda. The Chairman shall also provide advice or non-binding opinions taken by the User Committee to the Board in accordance with Clauses 2.02 and 2.03 above.
- 3.08 The Representative shall attend the meetings and represent the interest of their group by actively participating in the discussion on the items of the agenda and vote. They may also request the Chairman to convene the meeting of the user committee.
- 3.09 The Representative including the Chairman shall act honestly and reasonably with respect to other Representatives and Groups of Users whose interest they have been appointed to represent at the User Committee and avoid conflicts as determined in Section 7 below and to inform the User Committee about the occurrence of any conflicts of interest.
- 3.10 The Representatives and the Chairman have the right to resign at any time upon serving notice in writing to the Chairman or the User Committee, respectively, and inform the Board 20(twenty) calendar days in advance.
- 3.11 In case the Chairman or any Representative of the User Committee resigns from office, the resigned person shall be substituted by a new Representative appointed in accordance with Section 5 below. After a new Representative is appointed instead of the resigned Chairman, the Representatives of User Committee select the new Chairman by the majority of votes at the next ordinary meeting of the User Committee.

- 3.12 Each Representative group has the right to provide advice or his opinion on any issue which it considers to be a key issue having an impact for it to any Representative and such Representative shall inform the User Committee about the advice or opinion so received.

4 Operating Procedures

- 4.01 Meetings of the User Committee may be held at the premises of the MSE CSD in which case MSE CSD shall be informed at least 14 (fourteen) business days in advance by the Chairman. Alternatively, the meetings may be held through other telecommunication media such as telephone conferencing, video conferencing or similar facilities by means of which all persons participating in the meeting can hear each other. Such participation in a meeting will constitute presence in person at such meeting.
- 4.02 The Chairman shall determine time and venue of the meetings of the User Committee and provide the notice and agenda of the meeting together with related materials for the meetings for the Representatives not later than 5 (five) business days before the meeting through either electronic means (fax, e-mail or other similar means of communication) or by delivering documents in printed format by mail or courier.
- 4.03 Each Representative may propose additional items to the agenda of the meetings of the User Committee by submitting to the Chairman a written notice to that effect at least 3 (three) business days prior to the meeting. Where practicable, together with the notice, such Representative shall present to the Chairman documents and other materials related to the proposed items. In such case, the Chairman shall circulate the supplemented agenda to all Representatives as soon as possible.
- 4.04 The voting of the User Committee is public. The vote may be secret at the request of any Representative.
- 4.05 The meetings of the User Committee shall be recorded in the minutes of the meeting. The minutes shall be confirmed by the signatures of the Chairman and at least one Representative.
- 4.06 The minutes of the meeting of the User Committee shall specify at least: the Representatives attending the meeting, the date, time and place of the meeting, the agenda and the issues discussed, the decisions adopted and the number of the Representatives who voted "in favour" or "against" or abstained from voting. The minutes shall also contain any discussion concerning an important matter or principle, any dissenting opinion or the fact that Representatives refrain from participating in a decision due to a conflict of interest.
- 4.07 The minutes of meetings shall be provided to all Representatives and to the Board within 2 (two) weeks after the date on which the respective meeting has been held.
- 4.08 When the User Committee adopts a decision to provide an advice or a non-binding opinion to the Board as determined in Clauses 2.02 and 2.03 above, the Chairman submits the respective advice or non-binding opinion to the Board within 10 (ten) business days. All further communication between the User Committee and the Board regarding the submitted advice or

non-binding opinion is carried out through the Chairman and in turn communicated to the User Committee.

- 4.09 The members of the User Committee shall participate in the meetings of the User Committee in person.

5 Appointment Process of the User Committee

- 5.01 Groups of Users listed in Clause 3.01 shall arrange to appoint a Representative as agreed within the particular group of users and notify such appointment to the Board of the MSE. Appointments shall be for a period of 24 months or until such time that a new User Committee is to be appointed.
- 5.02 Where a group representing a group of users is not constituted the MSE Board may elect to nominate a representative on their behalf. Any representative appointed by the Board of the MSE will retain the seat until such time that the representative user group has been constituted. The representative group will then be required to confirm or otherwise appoint a new representative to the User Committee.
- 5.03 Each Group of Users shall seek to appoint a Representative who is of sufficiently good repute and has adequate expertise in financial services and matters of the competence of the User Committee relevant for the respective Group of Users. The Board may reject an appointment of the Representative only if the appointed person does not satisfy the criteria set forth above, or if other material reasons exist which in the reasonable opinion of the Board justify the rejection of the Representative.
- 5.04 The Representative shall also be recalled prior to expiration of the regular term if the CSD is provided with a new Representative and such Representative has been appointed in line with Clause 5.01 above.
- 5.05 On the expiration of a two-year term, a new representative from users appointed in line with Clause 3.01 are to be appointed by the respective user of the SSS.

6 Disqualification

- 6.01 Representatives shall assess all matters independently based on relevant laws and regulations as well as any rules applicable to the CSD
- 6.02 The Representatives of the User Committee shall inform the User Committee and the Board of any circumstances that might cause their disqualification. Representatives shall be disqualified from participating in the handling of a certain issue in case he or she otherwise reasonably is expected to have a conflict of interest relating to the issue concerned.

7 Conflict of Interest

- 7.01 The advice or non-binding opinion of the User Committee shall be independent from any direct influence by the CSD, including the Board.
- 7.02 Each Representative shall disclose potential conflicts of interest in any matters discussed in the User Committee.
- 7.03 Where the Chairman determines that the Representative of the User Committee has an actual or potential conflict of interest on a particular matter that Representative shall not be allowed to vote on that matter
- 7.04 Each time before disclosing audit findings to the User Committee pursuant to Clause 2.04 above, the Board takes into account potential conflicts of interest between the Representatives of the User Committee and the CSD. In case the Board determines possible conflicts of interest between the Representatives of the User Committee and the CSD, the Board has the right not to disclose audit findings to the User Committee.
- 7.05 Representatives shall not be provided with information that could place them in a competitive advantage or that otherwise may constitute a conflict of interests with the CSD.

8 Confidentiality

- 8.01 The Representatives (including the Chairman) are subject to a strict obligation of secrecy regarding all information disclosed to them in their function as Representative and members of the User Committee ("Confidential Information"). Accordingly, Confidential Information is not to be disclosed to any third party by the Representatives and take all reasonable steps to prevent disclosure or unauthorized use of Confidential Information in order to prevent it from falling into the public domain. The obligation of secrecy survives the termination of membership in the User Committee and continues to exist for an unlimited period of time.
- 8.02 Any external independent expert invited to attend a meeting of the User Committee shall sign a confidentiality agreement by which it undertakes to maintain the same obligation of secrecy to which Representatives are bound.

9 Miscellaneous Provisions

- 9.01 Each Representative shall be responsible for the costs associated with its participation in the User Committee and shall not be entitled to demand or receive any fee or compensation from the CSD for such participation.
- 9.02 The Board shall promptly inform the Malta Financial Services Authority in writing of any decision in which the CSD decides not to follow the advice or non-binding opinion of the User Committee.
- 9.03 These Rules may be amended from time to time by resolution of the Board in case this is required to facilitate the orderly functioning of the User Committee.