

## **Organizational and Operational Regulation of KELER Ltd.**

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## **I. General part**

### **1.1. Introductory provisions**

The purpose of the Organizational and Operational Regulation (hereinafter: OOR) is to establish a uniform system of principles and rules on the organization and the operation of KELER Central Depository Lt. (hereinafter: the Company or KELER).

The OOR determines rules in line with the nature, management of the company; describes the scope of activities of the Company, the organization to perform work, the managing and control bodies of the Company, including their responsibilities and authorities, the rights and obligations of employees, the scope of responsibilities and authorities of the units of the Company in charge of various activities, related points of contact.

Reason for regulation modification: updating the text of the regulation.

### **1.2. Revision date**

Regularly, every other year, not later than 31 December of every second year.

### **1.3. Scope of regulation**

Material scope: the organization and the operation of KELER

Personal scope: all organizational units and employees of KELER

### **1.4. References**

Related internal regulations:

- Articles of Association of KELER Central Depository Ltd.
- 3-13 KELER Ltd. Regulation on right of representation and authorization to sign on behalf of the company
- 4-46 KELER Management Rules of Procedures
- 6-01 KELER Group Regulation on the creation and amendment of regulatory documents
- 6-16 KELER Group HR Regulation
- 6-55 KELER Group Compliance Regulation

Related regulations:

- Act CXX of 2001 on the Capital Market (Tpt.)
- Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Hpt.)
- Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (Bszt.)
- Act I of 2012 on the Labor Code (Mt.)
- Act CXIII of 1993 on Safety at Work

- Regulation (EU) 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement and Amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) 236/2012 (CSDR)
- Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
- Regulation (EU) 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
- Regulation (EU) 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) 648/2012
- Commission Delegated Regulation (EU) 2017/571 of 2 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards on the authorization, organizational requirements and the publication of transactions for data reporting services providers.

### **1.5. Version control**

Version number of current regulation: v1.8

Version number of previous regulation: v1.7

Effective date of previous regulation: 10 November 2017

### **1.6. Terms, abbreviations used in the Regulation**

**KELER Group:** KELER Ltd. (hereinafter: KELER) and KELER CCP Ltd.

## II. Organizational regulation

### 2.1. General Company data

Company name in Hungarian	KELER Központi Értéktár Zártkörűen Működő Részvénytársaság
Company short name:	KELER Zrt.
Company name in English:	KELER Ltd.
Registered offices:	1074 Budapest, Rákóczi út 70-72.
Date of foundation:	12 October 1993 The Company is founded for an indefinite term. The company operates based on Act V of 2013 on the Civil Code (Ptk.). As of 1 January 2004, the Company operates as a specialized credit institution.
Company register number:	01-10-042346
Supervisory license number:	33.001/1994. I-1676/2003.
Supervisory bodies:	Metropolitan Court of Justice, as court of registration - legal supervision Magyar Nemzeti Bank - state supervision
Type of the Company:	private company limited by shares
Share capital of the Company:	HUF 4,500,000,000 that is four billion five hundred million Forints
Payment account numbers of the Company:	MNB account no:19017004 - 00201445-00000000 GIRO account no:144000 1810873151 - 20010018 Tax number: 10873151-2-44 EU VAT number: HU10873151
KSH number of the Company:	10873151-6611-114-01

### 2.2. Scope of activities and organizational structure of the Company

#### 2.2.1. The responsibilities and scope of activities of the Company

Scope of activities of the Company:

66.11'08 Management of financial and capital markets

Other activities of the Company:

5829'08 Other software publication

6311'08 Data processing, web hosting services

6492'08 Other lending

6619'08 Other financial ancillary activity

7022'08 Business, other management consultancy

8559'08 Other training not elsewhere classified

9511'08 Computer, peripheral repair

### **2.2.2. Organizational structure of the Company**

The section on Operational Regulations describes the organizational hierarchy of the Company in the form of organizational chart.

In order to perform specific tasks, in particular to meet development needs, the company can initiate organizations (projects).

### **2.3. Managing bodies of the Company**

Managing bodies in line with the Ptk. and the Articles of Association

#### **Shareholders' Meeting**

The Shareholders' Meeting is the supreme body of the Company.

The following issues fall within the exclusive competence of the Shareholders' Meeting:

- decision on the establishment and amendment of the Articles of Association of the Company, unless the law prescribes otherwise,
- decision on the transformation, on the change of the form of operation of the Company,
- decision on the merger of the Company with other business association, cooperative or association, demerger and termination of the Company without legal successor,
- election, withdrawal of the members of the Board of Directors and the Supervisory Board, the statutory auditor and determining its remuneration,
- decision on the acceptance of the financial statements, consolidated financial statements and consolidated business report in line with the Act on Accounting, including decision on the distribution of profit after tax
- decision on the payment of dividend advance, unless the law prescribes otherwise,
- decision, with the appropriate amendment of the Articles of Association, on rights related to certain share types, share classes and share series and on any restriction of certain rights related to shares: transformation of shares into other share types, classes or series and related rules, the number, nominal value and issue price of shares of certain share types and in certain share classes,
- decision on the issuance of convertible bonds or bonds with subscription rights, unless otherwise prescribed by law ,
- decision on the decrease or increase of the share capital, unless otherwise prescribed by law,
- decision to exclude the exercise of pre-emptive subscription rights,

- decision on all proposals that are submitted to the Shareholders' Meeting by the Board of Directors or by shareholder(s) having at least five percent of the votes,
- decision on all issues that legislation refers to the exclusive competence of the Shareholders' Meeting,
- decision on filing damage claim against the Company's shareholder, executive officer, Supervisory Board member and the statutory auditor of the Company,
- decision on the acquisition of own shares,
- decision on the medium and long-term strategy of the Company, except for partial strategies (in particular the IT partial strategy),
- decision on the establishment of business association, on the acquisition of participation in business association, on the sale of participation existing in business association owned by the Company,
- election, recall of the Chairman of the Board of Directors and the Chairman of the Supervisory Board of the Company,
- decision to conclude credit line agreement allowing the taking of loan, the use of external funding,
- decision to grant loan, except for the granting of loans to employees, the granting of financial loans as part of the central depository activity and treasury operations,
- decision to encumber in any form any assets of the Company, except for treasury operations,
- authorization to conclude agreement with the executive officers of the Company and their close relatives and partners,
- authorization to conclude agreement with the shareholder of the Company for commitments exceeding HUF 10 million net per calendar year.

One registered share of HUF 5,000,000 nominal value, produced as dematerialized instrument, entitles the holder of the share to have one vote.

The Shareholders' Meeting is held at least annually, until the 30<sup>th</sup> of each May, and the Board of Directors convenes the Shareholders' Meeting by sending an invitation to the shareholders, Board of Directors members, Supervisory Board members, the Auditor of the Company at least 15 days before the Shareholders' Meeting date.

### **The Board of Directors**

The Board of Directors is the management body of the Company. The Board of Directors is responsible for the full control of the Company in line with the provisions of the Articles of Association and the Shareholders' Meeting resolutions.

The Shareholders' Meeting elects the chair of the Board of Directors.

The responsibilities and authorities of the Board of Directors are as follows:

In addition to the issues stated in legal regulations, provisions of the Articles of Association and other key documents of the Company, the following matters are in the competence of the Board of Directors:

- making a proposal on the financial statements of the Company in line with the Act on Accounting and the use of profit after tax,



- handing over to the Supervisory Board the accounts and the financial statements in line with the Act on Accounting in due time, consulting the Supervisory Board on these documents, submitting them to the annual ordinary Shareholders' Meeting and disclosing them as required,
- convoking the annual ordinary Shareholders' Meeting,
- convoking the extraordinary Shareholders' Meeting if
  - a) the shareholders' equity of the Company decreased to two thirds of the share capital as a result of loss,
  - b) the shareholders' equity of the Company decreased below the minimum amount determined in law,
  - c) the Company is in danger of becoming insolvent or suspended payment or if its payables exceed assets,
  - d) the number of the Supervisory Board members is below 3,
  - e) it is requested by the Supervisory Board, shareholders having at least five percent of votes or the Company auditor,
- making a report once a year to the Shareholders' Meeting on the management, financial situation and business policy of the Company, actual supervision of the Management,
- supervision and regular update of the governance system of the Company,
- establishing and amending the OOR of the Company,
- exercising the right of the employer towards the managing directors determined in the OOR of the Company,
- ensuring that the business records of the Company are kept in line with applicable regulations,
- submitting the required reports to the Court of Registration,
- making disclosures in the cases defined in law,
- making sure that the share registry of the Company is managed,
- monitoring and ensuring compliance with the regulatory and supervisory requirements applicable to the Company,
- accepting, amending the regulations of the Company, with the exception of regulations within the scope of authorities of the CEO,
- discussing the conclusions of audits by authorities, approving the necessary action plan,
- concluding the results of reviews related to persons covered by the regulations of the Company, taking the necessary steps,
- definition of the goals and strategy of the Company within the framework accepted by the Shareholders' Meeting,
- making decision on all issues that are not within the scope of authorities of the Shareholders' Meeting (taking into account the decision making authorities determined in this OOR)
- finalizing the proposal to the Shareholders' Meeting on financial commitments exceeding HUF 100,000,000 that is one hundred million Forint (except for transactions made by Treasury), by derogation from the general rule, and on the amount and expiry date of the joint and several liability provided to KELER CCP Ltd.,
- approving retroactively the decision of the CEO on the clearing commission payable for newly listed derivatives and international settlement,
- preparing a quarterly report to the Supervisory Board,
- accepting the annual development and investment plan of the Company
- adopting the Rules of Procedures of the Board of Directors,

- determining the annual business plan,
- appointing the representative of the shareholder at the association where the Company has an interest,
- supervising the risk management of the Company, making decisions related to risk management,
- ensuring that the appropriate resources are available related to risk management, technology, compliance and internal control and for independent internal audit,
- checking the outsourcing agreements of the Company.

The areas in charge of risk management, technology and compliance functions at the Company can make proposals, comments directly to the Board of Directors also in line with the detailed regulation on their operation.

The members of the Board of Directors are required to act with fairness, free from all external influences and independently in order to call into question the decisions of the Management or Management members, and to control and supervise efficiently the decision making of the managing director or managing directors (Chief Executive Officer, Deputy Chief Executive Officer).

### **The Remuneration Committee**

The Board of Directors sets up the Remuneration Committee to manage issues related to the remuneration policy provisions of the CSDR and the Hpt. and the Bszt. and within the scope of the authorities of the Board. The Remuneration Committee has three members: the chair and the vice chair of the Board and one Board member, or two Board members if no vice chair is elected. The Remuneration Committee makes decisions unanimously. The Remuneration Committee informs the Board of Directors on the remuneration policy accepted.

The Remuneration Committee approves and reviews annually the annual remuneration determined in the Remuneration Policy of the employees with outstanding responsibility with respect to risk taking. The Remuneration Committee submits for approval and annual review the monthly base wage and annual Performance Management System payment of the Chief Executive Officer. The Board of Directors makes the necessary decisions. Furthermore, the Remuneration Committee approves and reviews annually the annual income of the persons in charge of audit and risk management tasks.

### **The Supervisory Board**

The Supervisory Board controls the management of the Company, and performs the tasks of the audit committee stated in the Hpt. and in Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC, and of the audit committee stated in Article 48(1)(b) of Commission Delegated Regulation (EU) 2017/392 of 11 November 2016 supplementing Regulation (EU) 909/2014 of the European Parliament and of the Council with regard to regulatory technical standards on authorization, supervisory and operational requirements for central securities depositories.

In addition to the tasks stated in legal regulations, provisions of the Articles of Association and other key documents of the Company, its tasks are in particular as follows:

- prior to the annual ordinary Shareholders' Meeting, supervising all proposals on material business policy reports, on the financial statements in line with the Act on Accounting, on the use of profit after tax and reporting the result to the Shareholders' Meeting,
- checking the annual and interim financial reports of the Company,
- convening the Shareholders' Meeting without delay, and stating the recommended agenda items, if it finds that measures violate the provisions of laws, the Articles of Association, Shareholders' Meeting decrees or becomes aware of activity, failure or corrupt practices in the course of operation of the Company that is harmful to the interests of shareholders,
- making sure that there is a comprehensive and effective control system in place at the financial institution that is suitable to support successful operation,
- assisting the Board of Directors in checking the financial reporting system, selecting the statutory auditor and in cooperating with the statutory auditor, with particular regard to Article 16 of Regulation 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC,
- monitoring the statutory audit of annual and consolidated annual financials based on legal requirements, taking into account findings and conclusions made in the quality assurance procedure performed by the authority completing the statutory audit public supervisory tasks in line with Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Audit Activity and the Public Supervision of Auditing (hereinafter Kkt.),
- reviewing and monitoring the independence of the statutory auditor or auditor company licensed in line with regulations, with particular regard to compliance with the provisions of Article 5 of Regulation 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC,
- monitoring the efficiency of the internal audit, risk management systems of the Company, and the process of financial reporting, making recommendations if necessary,
- directing the internal audit organization, including:
  1. acceptance of the annual audit plan of the internal audit organization,
  2. discussing at least semi-annually the reports of internal audit and controlling the implementation of the necessary measures,
  3. if needed, requesting an external expert to help the work of internal audit,
  4. making recommendation to change the headcount of the internal audit unit,
  5. discussing and accepting the annual audit report of the internal audit unit.
- finalizing recommendations and proposals based on the result and findings of reviews completed by internal audit,
- convening the extraordinary Shareholders' Meeting of the Company if the number of members of the Board of Directors is below 3,
- completing all the tasks that regulations refer to the competence of the Supervisory Board,
- accepting the Remuneration Policy and the Remuneration Regulation of the Company.

The Supervisory Board is entitled to request information, details on matters related to the Company from the executive employees, managers and employees of the Company.

## **The Auditor**

The mandate of the auditor of the Company is for no more than five years, until the annual shareholders' meeting closing the fifth business year, but not later than 31 May. If the mandate of the Chamber member auditor or auditor company reaches five years with the renewed mandate or mandates, no new mandate for performing the audit tasks of the Company can be given to the Chamber member auditor or auditor company in the following period of five years, with respect also to Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

The provisions of the Ptk., Hpt. and the Act on Accounting valid from time to time govern the scope of responsibilities and authorities of the auditor.

## **Executive Employee**

In accordance with Section 6 (1) 122. of the Hpt. and Section 5 (1) 134. of the Tpt., executive employees are the following persons:

- members of the Board of Directors, the Supervisory Board of the Company and the managing directors.

## **2.4. Operative management bodies, committees at the Company**

### **2.4.1. Management**

Management is in charge of the operative management of the Company.

Management is led by the Chief Executive Officer (CEO).

Management members include the CEO, the Deputy CEO (the Director of Banking Operations and Product Management Directorate) managing directors, and the Risk Management Director, the Finance Director, the Director of Strategy and Client Relations, the IT Director as non-managing directors.

Permanent invitees to Management meetings: Head of Human Resources Management, the Legal Counsel, the senior employee of Compliance and the person preparing the meeting memo.

The responsibilities of Management are as follows: making recommendations on the activity, operative operation of the Company, expressing an opinion on the recommendations submitted; expressing an opinion on Board proposals, internal regulations, discussing the business activity, general organizational and personnel issues of the Company.

The CEO determines the rules on the operation of Management.

Management meetings are documented in memos.

### **2.4.2. Assets and Liabilities Committee**

The responsibilities of the Asset-Liability Committee are as follows:

- supervising the liquidity of the Company, accepting the liquidity plan,
- defining the investment policy of the Company,
- determining the structure of assets and liabilities,
- professional supervision of Treasury,
- determining the interest rates of all accounts managed by the Company.

The CEO is the chair of the Assets and Liabilities Committee. Committee members are the CEO, the Deputy CEO (the Director of Banking Operations and Product Management Directorate), the Risk Management Director and the Finance Director, the Director of Strategy and Client Relations, the Treasury Department Head and the Chief Accountant.

The Committee meets at least monthly, meetings are documented in minutes.

Order of decision making: the Assets and Liabilities Committee makes decisions by a simple majority, if there is a tie vote, the CEO has a casting vote. The Risk Management Director has a restricted right of veto with respect to the following issues:

- capital adequacy,
- structure of assets and liabilities,
- risk taking (with special regard to the determination of limits),
- risk management activity.

The Risk Management Director has no right to vote or veto related to issues concerning KELER CCP Ltd. Before the vote, the Risk Management Director is required to inform the Assets and Liabilities Committee should any such issue arise.

Resolutions are documented in the minutes of meetings.

### **2.4.3. Operational Risk Committee**

The responsibilities of the Operational Risk Committee are as follows:

- acceptance of the quarterly report prepared by the Operational Risk Officer,
- elaboration of action plans to eliminate the causes of risks/losses, to mitigate risks,
- acceptance of the status reports on action plans already in progress,
- acceptance on the capital need report,
- acceptance of the reports on the evaluation of risk self-assessment,
- requiring and acceptance of other ad hoc reports related to operational risk management.

The Risk Management Director is the chair of the Operational Risk Committee.

Committee members include the Deputy Director of Banking Operations, the Head of KELER CCP Ltd. Clearing Operations, the Head of Security Management, the Applications Development Department Head, the Operational Risk Officer, the IT Operations Head, the Service Desk Team Lead and the Product Management Department Head. The middle managers and/or relationship

managers involved in the agenda items discussed are invited to attend Committee meetings with no right to vote.

The Operational Risk Committee is quorate in the case stated in the KELER Group Operational Risk Management Regulation.

The Committee meets at least quarterly, Committee meetings are documented in minutes. The Operational Risk Officer is in charge of retaining the minutes.

Order of decision making: the Operational Risk Committee makes decisions by a simple majority, if there is a tie vote, the chair has a casting vote. The chair has a restricted right of veto with respect to the following issues:

- acceptance and closing action plans related to operational risk incidents,
- acceptance of the operational risk capital requirement of Pillar II,
- creation of KRIs (Key Risk Indicators).

Resolutions are documented in the minutes of meetings.

#### **2.4.4. Risk Management Committee**

The Risk Management Committee is in charge of informing the Board of Directors of the Company on the actual and future overall risk tolerance and strategy of the Company.

The details of the operation of the Risk Management Committee are defined in rules of procedure of the Committee.

The Risk Management Committee has no decision making powers.

#### **2.4.5. User Committee**

The User Committee is an independent, opinion giving body. It cannot intervene in the operative management of the Company, but can share its views, and, at request, it informs the Management of the Company and the Board of Directors of the Company on the following topics:

- opinion on the recovery plan of the Company, with particular regard to the identification of critical functions;
- opinion on the entry terms of the securities settlement system of the Company;
- opinion, with detailed justification, on the pricing structure of the Company.

The details of the operation of the User Committee are defined in rules of procedure of the Committee.

In the cases defined in the rules of procedures, the result of external audits of the Company are to be shared with the User Committee.

The User Committee has no decision making powers related to the Company.

#### **2.4.6. Portfolio Council**

The Portfolio Council directs the developments of the Company. As part of this activity, it allocates and sets priorities continuously regarding the organizational resources of developments, and makes decision on the analysis, implementation or rejection of certain development tasks and projects.

The Portfolio Council is led by the Chief Executive Officer.

Members of the Portfolio Council include the Chief Executive Officer, the Deputy CEO (the Director of Banking Operations and Product Management Directorate), the Risk Management Director, the Finance Director, the Director of Strategy and Client Relations, the IT Director.

Permanent invitees to the meetings of the Portfolio Council are the Strategy and Client Relations Deputy Director, the Project Competence Center Portfolio Manager (making the memo), the Project Competence Center Quality Assurance Manager, the project manager tasked with the development of existing services, the Product Management Deputy Director, the Product Management Department Head and the Application Development Department Head.

The tasks of the Portfolio Council are as follows:

- preparation for decision making of development concepts regarding the activity of the Company;
- planning, creating the annual development portfolio (strategic and operative projects and tasks), and accepting the roadmap;
- accepting the human and financial resources allocation and priorities required for implementing the development portfolio, directing and controlling the development portfolio;
- approving project/task life cycle phases, making decisions to go, acting as project escalation forum;
- managing the risks and interdependencies of the development portfolio, reviewing project quality assurance reports, analyzing and integrating lessons learned into operation.

The Portfolio Council defines its rules of operation, the Chief Executive Officer defines its work schedule.

Portfolio Council meetings are documented in memos.

### **2.5. General provisions on managers**

#### **2.5.1. Management hierarchy**

For the purpose of this section, the executive employees (based on Section 208 of the Mt.) and the unit heads, including the Deputy Directors, that are not in the category of executive employees are considered managers.

The temporary organizations that operate for a definite period of time (projects) are led by the project manager that is authorized to act as a manager with fixed authorities.

## **2.5.2. The obligations and rights of managers**

### **2.5.2.1. The obligations and rights of managers include primarily the following tasks:**

1. perform fully the responsibilities of the unit led,
2. meet the obligation to implement external and internal regulations, CEO regulations and related reporting obligations,
3. coordinate professional tasks,
4. participation in the professional and resource planning of projects, make sure that the resources needed as per the project plan are available, provide professional support in the role of ordering party to the implementation of projects,
5. comply with and make sure that subordinates comply with confidentiality requirements, take the necessary actions if bank, securities or business secret is violated,
6. make sure that the reporting requirements determined by external organizations or related internal reporting obligations are met on time and report content is excellent,
7. explore the competence and career development opportunities of employees in its field, take preparatory steps related to work-specific professional training enrolment; implement HR goals in the unit led,
8. communicate legal regulations, internal orders and provisions to subordinates accurately and clearly, ensure compliance,
9. all managers are required to inform the employees directly involved in the decision concerned (the person competent to make the decision is liable under labor and civil law for failure or delay to give information),
10. ensure continuous work for employees and the conditions for performing work,
11. organize the work of the unit led subject to the applicable general provisions, determine the methods of work, act as the operative manager of work, regularly assess work and organize related reporting, inform the superior on findings, experience, any discrepancies,
12. comply with discipline at work and make sure subordinates are also compliant,
13. check the work of subordinates,
14. take action to eliminate shortcomings related to its unit and detected in external and internal reviews,
15. ensure matching records: require that all documents and records issued and kept by the unit led are correct and full in terms of format and content,
16. ensure the proper retention and handling of strictly numbered documents, check that related rules are complied with,
17. organize the careful handling, archiving, retention and discarding of documents in line with internal requirements,
18. comply with and ensure that subordinates also comply with health and safety at work requirements, check compliance with the requirements and support the creation of conditions as required,
19. exercise its right of representation, signature and payment approval subject to the delegation of authorities, check and sign or sign off the reports, correspondence created by the unit led,



20. safeguard the company stamp received for use and prevent unauthorized use,
21. facilitate seamless cooperation of the units led with other organizations,
22. participate and express views at the meetings, workshops that cover subject matters in the scope of its responsibilities,
23. express views on company regulations, orders, rules of procedures related to its unit before approval and request that such documents are prepared,
24. make and support proposals to improve the efficiency of work, increase and develop effectiveness.

The responsibilities of managers that are not listed above result from the scope of responsibilities described under the unit led and the individual job description of managers.

**2.5.2.2. The obligations and rights of project managers include primarily the following tasks:**

1. project management and coordination in terms of methodology,
2. preparation of detailed project plan, including the clear definition of task and success criteria, resource planning, timing, schedule and budget, management of interdependencies and risks,
3. support to contract management,
4. coordination of implementation,
5. management of internal and external resources,
6. up-to-date progress monitoring, status reporting, project communication,
7. continuous and regular provision of status information required to complete the development portfolio,
8. taking responsibility for the project budget and project goal achievement on time and in good quality.

**2.5.3. The responsibility of the manager**

Subject to the period of limitation and in line with the provisions of the Hpt., the Mt. and the civil law and other legal regulations, the managers of the Company are responsible for performing tasks assigned to them in the employment contract, the job description and internal regulations, taking related actions, giving orders, for the accuracy of records, reports and for all actions that they are responsible to take or fail to take in the position held, in line with the scope of authorities.

The employees holding executive positions are responsible for damage caused as part of the activity of the manager in line with the general rules of civil law.

In case of damage caused intentionally or through gross negligence by other managers, in line with the provisions of the Mt., the managers are liable for the damage caused; in other cases the amount of compensation cannot exceed the sum of the manager's absentee fee for four months.

The liability of the manager does not decrease the personal liability of subordinate employees stated in the job description.

#### **2.5.4. The order of substitution**

The CEO is substituted by the Deputy CEO (the Director of Banking Operations and Product Management Directorate).

In case of permanent absence (absence exceeding one day) of the CEO and the Deputy CEO (the Director of Banking Operations and Product Management Directorate), the person appointed by the CEO is entitled to lead the Company.

In case of absence of the Deputy CEO (the Director of Banking Operations and Product Management Directorate), the Banking Operations Deputy Director is the appointed substitute for banking operations issues, the Product Management Deputy Director is the appointed substitute for product management issues.

In the course of substituting the CEO, the mandate of the Deputy CEO or the appointed substituting person does not include exercising the special rights of the employer.

If absent, the appointed substitute deputizes for the manager, the substitute can perform the tasks, exercise the scope of authorities of the manager, except for matters related to which another person is appointed as the substitute of the manager. The manager is responsible for transferring, for the period of absence, to the substitute any tasks in progress, determining the tasks to be completed and for holding the substitute accountable for such tasks.

### **2.6. General rules on representing the Company**

The Civil Code, the Hpt., the Articles of Association and internal regulations determine the content and provisions on exercising the power of representation, signing on behalf of the company and approving payment.

#### **2.6.1. Power of representation (right of representation, signing on behalf of the Company)**

The Regulation on right of representation and authorization to sign on behalf of the Company, valid from time to time, includes detailed rules on power of representation, rights to represent, sign on behalf of the Company, etc.

#### **2.6.2. Legal Representation**

In line with the agency agreement concluded for indefinite term, the Legal Counsel, independent from the Company in terms of employment, acts as the legal representative of the Company pursuant to the provisions of such agreement.

The Legal Counsel performs the following tasks:

- reviewing and countersigning certain draft contracts of the Company,
- providing legal advice to the Company,
- managing the registration related issues of the Company,

- representing the Company in litigious and non-litigious proceedings;
- meeting the internal requirements on the management of information representing bank and securities secret based on the Hpt., the Tpt. and the Bszt., giving prior opinion on the transfer of such information, recording such information.

On behalf of the Company, the CEO is entitled to give orders to the Legal Counsel.

## **2.7. The rights and obligations of the employees of the Company**

### **2.7.1. The rights of the employees of the Company**

The inalienable rights of the Company employee are as follows:

- exercising the rights stated in the Constitution of Hungary,
- knowing the plans, goals of the Company that are not business secrets, ability to participate in the process of forming such plans and goals and ability to make work related recommendations,
- freedom of opinion at work meetings,
- receiving wage, salary, bonus, remuneration, preference for the work performed that is due in line with the Labor Code, the employment contract and the internal regulations of the Company,
- having the conditions and equipment for work available.

### **2.7.2. The obligations of the employees of the Company in their own fields**

- facilitate that the goals of the Company are met fully and effectively,
- perform the tasks stated in legal regulations, internal regulations, the job description and internal orders, in line with the applicable requirements, contribute to and check the performance of such tasks,
- implement the resolutions of the Shareholders' Meeting and the Board without delay even if separate order on the implementation of the resolutions is not issued,
- comply with legal requirements in its own field,
- perform continuously and consistently the (functional) control tasks related to the job held,
- protect the assets and equipment of the Company,
- take measures to prevent (terminate) accident or financial loss or call the attention of the competent party to do so,
- show up at work in a condition fit for work, at the required time,
- spend the working time with effective work, in line with the position held,
- start performing the work assigned by the superior without delay, in line with the applicable legislation and regulations, finish the work by the applicable deadline and report to the superior thereon,
- participate in projects (as project member or project manager).

## **2.8. Management of the organizational units of the Company**

### **2.8.1. Chief Executive Officer**

The Chief Executive Officer leads the organization, the daily work of the Company in line with legislation and the provisions of the Articles of Association of the Company, the resolutions of the Shareholders' Meeting and the Board of Directors.

In line with the provisions of this regulation, the CEO has individual responsibility for the management and control of the work of the Company.

The CEO is responsible for the Company operating in line with the requirements of legislation, the Articles of Association, Company regulations and orders.

During the performance of its work, the CEO has the following primary rights and obligations:

- individual responsibility for the operation of the Company,
- obligation to take measures to end the violation of legal regulations, rules and irregularities noted,
- responsibility for the implementation of the resolutions of the Shareholders' Meeting and the Board,
- responsibility for the business activity of the Company,
- responsibility for preparing the Shareholders' Meeting and Board documents on time and for the retention of these documents and making sure necessary disclosures are made,
- right to give orders related to the operation of the Company,
- right to make decision related to matters subject to the scope of responsibility of the organization. Management of regulatory activity within the Company,
- right to convene the Board and making sure that Board meetings are properly prepared for,
- represents the Company towards third parties, the court, other authorities in the cases subject to the scope of authorities of the Company and in other cases based on authorization by the Shareholders' Meeting and the Board,
- gives information to the media and prior license to other employees of the Company to give information to the media,
- as the leader of the organization, the CEO exercises the rights of the employer related to the employees of the Company, except for the managing directors,
- right to decentralize authorities, responsibilities and decision making rights within the organization, including the financial decisions and the undertaking of financial commitments related to the figures stated in the business plan,
- right to reallocate annual business plan lines up to 10% and to exceed certain costs provided the profit reaches or exceeds the planned figure with the reallocation also,
- right to amend form contracts,
- obligation and right to impose the sanctions and take the compulsory measures in case of default stated in the General Business Rules,
- responsibility for the management of crisis situations related to the activity of the Company,
- right to determine the fees payable for new services in the Fee Schedule,

- makes decision related to all issues, subject to the provisions of this Organizational and Operational Regulation that do not fall within the scope of authorities of the Shareholders' Meeting, the Board or the Supervisory Board,
- right to appoint project managers,
- keeping contact with the subsidiaries of the Company and acting as the representative of the shareholder,
- meets the reporting obligation of companies in permanent state ownership,
- Creates, enacts, and reviews and tests, as necessary, the risk management, technology, compliance and internal control procedures to promote the achievement of the goals of the Company.
- Ensures that sufficient resources are assigned to the risk management, technology, compliance, internal control and internal audit functions.
- Ensures that the activity performed by the service provider of risk management functions is controlled.

The CEO also makes sure that the following tasks are completed:

- having the minutes of the meetings and the resolutions of the Supervisory Board, the Assets and Liabilities Committee saved in the folders for the management of internal documents, updating these documents, completing forms.

The CEO is in charge of appointing in mandate letter the person(s) responsible for the following tasks within the organization:

- performing the data protection tasks in line with regulatory requirements, in accordance with the applicable internal regulations,
- performing the tasks of the confidentiality officer in line with regulatory requirements, in accordance with the applicable internal regulations,
- performing the tasks of the Chief Information Security Officer (CISO) in line with regulatory requirements, in accordance with the applicable internal regulations,

performing the tasks of the data manager, i.e. ensuring and protecting the authenticity, integrity and availability of the data assets that the data managers are in charge of.

The CEO is entitled to delegate within the organization tasks related to the authorities obtained.

There is a CEO Secretariat reporting to the CEO in order to perform the administrative tasks of the CEO. In addition to such administrative tasks, the CEO Secretariat is in charge of the following tasks:

- administration related to outgoing documents,
- sending electronically Shareholders' Meeting and Board of Directors documents to the persons determined by the CEO,
- internal publication, maintenance of Shareholders' Meeting and Board of Directors documents.

### **2.8.2. Deputy CEO**

The Deputy CEO is the general substitute of the CEO in line with Point 2.5.4.

The Deputy CEO occupies the post of Banking Operations and Product Management Director and performs the tasks of the Deputy CEO stated in the applicable sections of this Organizational and Operational Regulation.

### **2.8.3. Director**

The Directors leads and supervises the directorate, an independent unit that the Director is in charge of. The Director exercises the authorities stated in the “Regulation on right of representation and authorization to sign on behalf of the company” valid from time to time.

The Director makes sure that the unit he/she is in charge of operates normally and in line with the requirements.

The Director makes decision related to cases subject to the authorities held.

The Director represents the Company towards other organizations, related to topics based on the mandate received from the CEO or related to the unit led.

### **2.8.4. Deputy Directors**

Unless internal regulations require otherwise, Deputy Directors are the general substitutes of the Directors of the Directorates concerned in line with the applicable parts of this Organizational and Operational Regulation.

The detailed tasks of Deputy Directors are stated in the operational procedures of the Directorates and the job descriptions.

### **2.8.5. Other managers**

The employees acting as the leaders of professional activity or deputies are considered managers. The project manager is considered manager during the period of the project, related to the project concerned.

Other managers lead, organize the professional unit, project and are in charge of operation in line with regulations. Other managers lead the daily operative work of the unit led.

Other managers organize cooperation and the flow of information.

The project manager performs the tasks stated in Point 2.5.2.2.

The manager makes sure that all personal and material conditions necessary for the operation of the unit led or the project are available, work is performed in a disciplined manner and in good quality; rules related to work are complied with. The manager is responsible to perform the task assignments fully and in line with applicable requirements.

The manager cooperates in the discussion of issues related to its field or project, in finalizing the new company structures.

The manager is required to support the work of the direct supervisor with full responsibility.

The manager is required to perform on time all reporting tasks that are delegated to the manager.

#### **2.8.6. The non-executive employees**

The individual job descriptions and the HR Regulation govern the tasks of non-executive employees.

### **2.9. Exercising the rights of the employer**

Exercising the rights of the employer means the right of decision making related to all the employment issues of employees, including the creation of employment, amendment or termination of employment, determination of wage and other financial incentives, performance evaluation, calling to account and decision on financial responsibility.

The Board exercises the rights of the employer towards managing directors.

The CEO exercises the special rights of the employer related to the employees of the Company (creation, termination of employment). The CEO can delegate other rights of the employer to other executive employees.

The CEO is entitled to delegate the issues that fall into the scope of his/her authorities to other persons.

### **2.10. IT system; job transfer**

#### **2.10.1. IT system**

The CEO orders and the rules of operational procedures of the units describe the IT and reporting systems across the units of the Company, the order of keeping contact and the special tasks related to internal and external reporting. The head of the unit is in charge of implementing these orders and rules.

Information is meant to include all orders, provisions, information, data and background information related to work that are primarily exchanged in meetings.

The task of the manager is to ensure the continuous flow of information, employees are responsible to receive information and forward information obtained in their fields to the competent persons.

### **2.10.2. Job transfer**

If there is a change of managers, the leaving manager transfers the job to the new manager. If unable to attend, the substitute or the person with temporary mandate by the supervising manager takes over the job.

If the job of an employee is required to be transferred, the job is to be transferred to the employee appointed, in the presence of the head of the unit (appointed deputy) or the person representing the head of the unit (appointed deputy), including all documents, records related to the job.

The job transfer will be documented in minutes if the job of a manager is transferred, the job transfer of employees will be documented in minutes if the supervising manager makes a decision to this effect.

The minutes will include the name of the job transferred and the list of issues pending or in progress, including their status and special attributes.

As acknowledgement, the manager in charge signs the job transfer minutes signed by the parties involved.

### **2.11. Employee representation: Work Council and health and safety representatives**

The employees elect the Work Council to represent their interests.

The Work Council acts as the general representative of employee interests towards the employer.

The Work Council is entitled to submit recommendations to the CEO on all issues related to the performance of work.

The rights and obligations of the Work Council are regulated by the applicable provisions of the Labor Code and the HR Regulation of the Company.

The employees of the Company are entitled to elect health and safety representatives from among themselves to represent their rights and interests related to work without health or safety risks.

The rights and obligations of the health and safety representatives are stated in the applicable provisions of Act XCIII of 1993 on Safety at Work and the Safety at Work Regulation of the Company.



## **2.12. Order of regulation**

### **2.12.1. External regulation**

Provisions by external bodies determining the operation of the Company, such as regulations, other instruments of state control, resolutions by supervisory authorities, other external requirements (e.g. standards).

### **2.12.2. Internal regulation**

The Regulation on the creation and amendment of regulatory documents includes the requirements on internal regulation.

## **2.13. Activities outsourced by the Company**

The Company concluded outsourcing agreements for performing depository activity, risk management activity, teller services, and certain publication obligations related to the APA (Approved Publication Arrangement) service.

The Company concluded an outsourcing agreement with ERSTE Bank Hungary Ltd. to safe keep the physical securities accepted by the Company. The Director of Banking Operations and Product Management Directorate is responsible for the outsourcing.

KELER CCP Ltd. performs the necessary risk management tasks for the Company. The Risk Management Director is responsible for the outsourcing.

UniCredit Bank Ltd. provides teller services to the clients of the Company. The Director of Strategy and Client Relations is responsible for the outsourcing.

The Company concluded an outsourcing agreement with the Budapest Stock Exchange Ltd. to perform certain publication obligations related to the APA (Approved Publication Arrangement) service. The Director of Banking Operations is responsible for the outsourcing.

## **2.14. Activities undertaken by the Company based on outsourcing agreements**

Based on the outsourcing agreement concluded with KELER CCP Ltd., the Company provides KELER CCP Ltd. the services covered by the agreement.

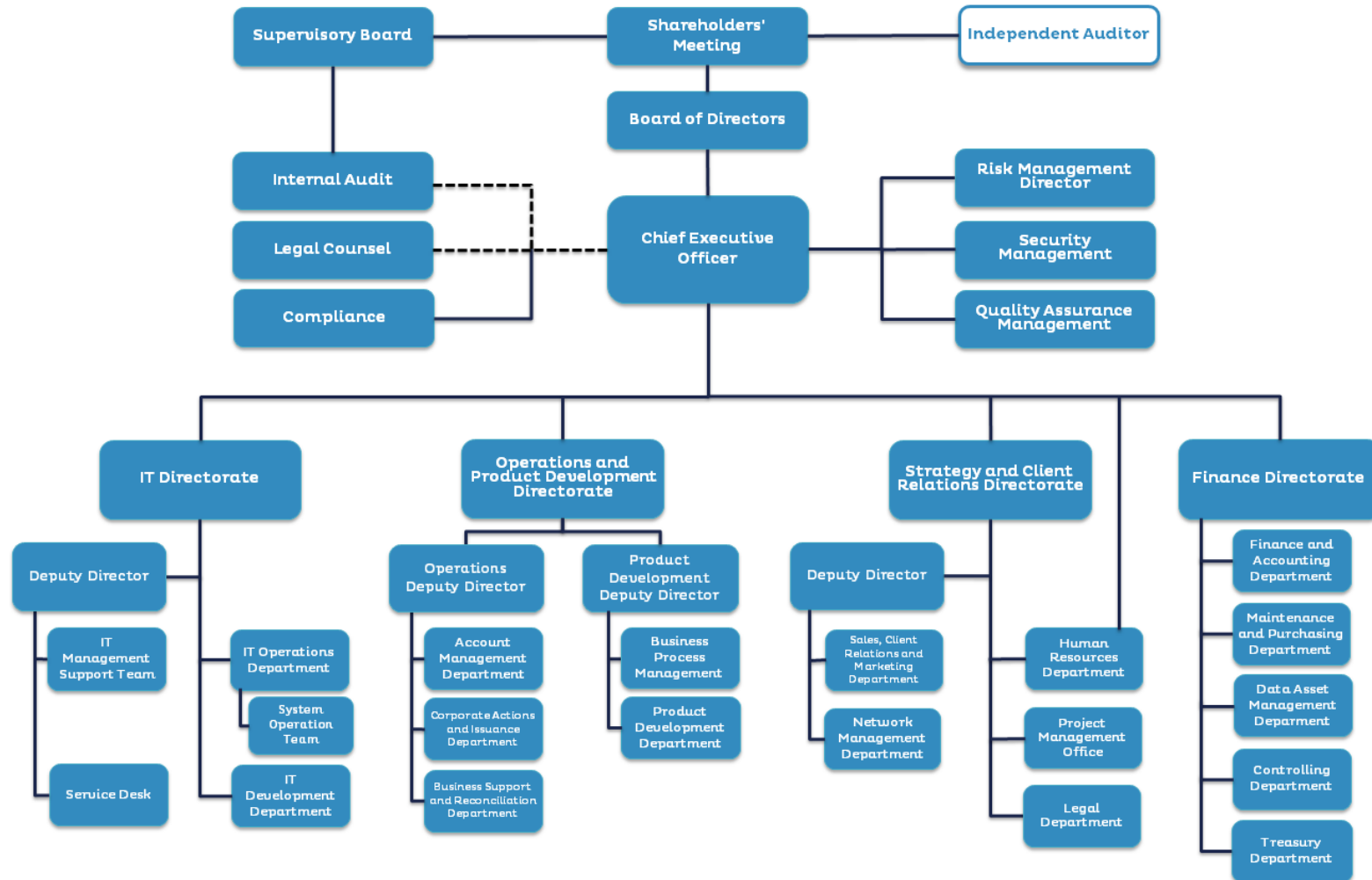
## **2.15. Confidentiality, publicity**

All employees of the Company are required to handle and keep in line with the applicable legal regulations the transaction, business, securities or bank secrets related to the Company or its clients or any related information and personal data acquired during the performance of work or otherwise in line with the Tpt., the Hpt., and the Bszt.

## **2.16. Termination of the Company**

The Company is terminated if it decides to cease operation without legal successor; decides to cease operation with legal successor (transformation), that is to say it merges with another company, it is acquired by another company, it demerges (separates) or transforms into another business form, it is declared terminated or ordered to be cancelled by the court of registration, it is ordered to be terminated by the court in liquidation proceedings.

### III. Operational Regulation



## **1. Banking Operations and Product Management Directorate**

Unit name: Banking Operations and Product Management Directorate

The main task of Banking Operations and Product Management Directorate is the daily operation of the business services of the Company, maintaining the high quality and ensuring the continuous improvement of the products and services of the Company, and coordination of product developments influencing the Company.

The Company concludes form contracts, in certain cases individual agreements with the clients that use the services of the Company. The Company collects fees for the use of services. Interest is credited to the Forint and foreign currency accounts in line with the List of Conditions of Interest Rates.

The Banking Operations and Product Management Directorate performs the case by case data and information reporting tasks towards authorities, official organizations arising and prepares statistical reports related to its activity.

As part of the activity undertaken, the Banking Operations and Product Management Directorate performs tasks stated in the provisions of Act XXIII of 2003 on Settlement Finality in Payment and Securities Clearing Systems and arising from the provisions of Act CXXXVI of 2007 on the Prevention and Combating of Money Laundering and Terrorist Financing, and is considered the manager of investment services activity in line with the Bszt.

### **1.1 Account Management Department**

Tasks and authorities

Managing securities accounts, Forint and foreign currency accounts, subaccounts.

Managing yield subaccounts and deposit subaccounts.

Receiving and executing account related orders, priority and queue management.

Posting securities related account transfers (FoP).

Performing blocking transactions (joint, unilateral, other beneficiary, KELER beneficiary).

Executing limit management related securities blocking and unblocking.

Settling gross settlement DVP transactions concluded by the partners of the Company.

Settling DVD transactions.

Settling stock exchange transactions guaranteed by KELER CCP (multinet securities and cash transactions, FISZER transactions)

Settling non-guaranteed stock exchange transactions (fix price, auction trades) on a gross basis.

Settling primary market trades.

Preparing the report on power market margin requirement fulfilment.

Providing power and gas market trade related account management services.

Derivative, power and gas market transactions financial settlement.

Managing and settling pending accounts, investigation in case of reconciliation differences with the involvement of sub-custodians and nostro account managers, in cooperation with the Business Support and Data Reconciliation Department.

Organizing, creating GIRO, VIBER, internal financial settlement execution.

Management of outgoing and incoming foreign currency transactions.

FX service.

Management of bank guarantee.

Providing cash management services through the teller desk of another credit institution.

Performing Treasury back office activity:

- counterparty and instrument master data input / validation,
- Treasury trades data validation, forwarding to the securities and account management system,
- general ledger posting.

Recording the securities kept in the Depository in the securities account, performing tasks related to physical deliveries in and out.

Taking part in controlling the activity of the service provider safekeeping physical securities accepted by the Company.

Settlement and custody services for international securities through securities accounts opened by the Company with other custodians:

- cross-border clearing, transfer of securities.
- keeping contact with clients; management of issues, claims related to general cross-border settlements involving domestic counterparties.

Management of the securities accounts of domestic/international clearing houses and other foreign entities opened with the Company, settlement services:

- performing OTC settlement,
- keeping contact with clients, management of general issues and claims involving foreign counterparties.

Providing XETRA dedicated sub-account service:

- reporting and monitoring stock exchange settlement, ensuring compliance with margin requirements.

Operating WARP:

- cooperation in the administration of the contracts of new clients,
- provision of user rights (to the admin users on the client side)
- user support, provision of information related to the service
- fee calculation and related validation
- recording manual transactions in exceptional cases (e.g. settlement transaction creation, cancellation)

Making proposals on the revision, maintenance of contracts, operational procedures.

Continuous development of the international services offered by the Company, monitoring international trends.

Participation in product development related to account management.

## **1.2 Corporate Actions and Issuer Services Department**

Tasks and authorities

Coordinating the relationship of the Company with issuers, selling the issuer services of the Company.

Issuing ISIN (securities code) for securities issued in Hungary; reporting ISINs.

Central securities records on securities with ISIN.

Recording the issuer master data provided by issuers.

Informing capital market participants on the corporate actions announced by issuers related to securities series and ordered from the Company, on the order of event execution.

At the request of the issuers, disclosure of the personal data of the holder related to events with or without distributions and/or making payment orders.

For events with disclosure of the personal data of the holder, summarizing the shareholder data received from account managers and providing it to the issuers.

Accepting physical securities issued in Hungary, recording and managing related basic data: in fungible custody account at the request of the issuer, in individual custody account at the request of the KELER account manager.

Performing custody related activities (as instructed, coupon cutting, annulment and destruction of securities and coupons).

Creating dematerialized securities issued in Hungary in the central securities account, receiving, recording, amending, and cancelling the securities at the instruction of the issuer.

Informing account managers on dematerialized securities creation and cancellation.

Keeping central securities accounts.

Entering trades into the settlement and depository system of the Company and master data amendment in the central securities register when trades in international securities series made on the BÉTa Market of the Budapest Stock Exchange are accepted for settlement.

Custody services for international securities through securities accounts opened by the Company with other custodians:

- management of corporate actions of international securities with distributions,
- informing clients on corporate actions,
- management of special corporate actions without distributions,
- management of foreign tax deductions, reclaims, tax certificates.

Management of the securities accounts of national/international clearing houses and other foreign institutions opened with the Company, execution of corporate actions:

- management of corporate actions in Hungarian securities, sending advices, confirming actions,
- participation at general meetings, other events as requested and based on power of attorney (proxy voting),
- management of tax issues in Hungary for foreign partners.

Paying agent services to ÁKK.

Cooperation in the product development of issuer services at the Company.

Keeping share registry at the request of issuers, keeping the share registry of the Company.

Share registry preparation monthly, upon corporate actions, at the request of the issuer.

Based on individual agreements concluded with issuers, making, amending share registry records at the request of the issuer, the main account holder or the client, or in a probate action based on the advice the notary public.

Finalizing the share registry at any point in time - at least down to the level of custodians (with the allocation of serial numbers).

Providing the services requested by the issuer related to the share registry.

Professional consultation related to the execution of corporate actions.

Calculation of ownership structure indicators based on the share registry, at the request of the issuer (e.g. cooperation in the provision of mandatory and extraordinary information).

Organizing shareholders' meetings in line with the applicable contacts.

Cooperation in dividend payment.

Paying agency, payment of the counter value of dematerialized shares and provision of ancillary

services related to dematerialization (preparing detailed dematerialization process timeline; reviewing resolutions, notices related to transformation; etc.), annulment and keeping physical securities collected due to dematerialization.

Preparation and sales of offer system and related high-level coordination for issuers (from ISIN issuance to share registry).

Advisory services to issuers.

Making proposals on the revision, maintenance of contracts, operational procedures.

Continuous development of the international services offered by the Company, monitoring international trends.

Participation in the product development related to issuer services, corporate action management.

Investigation in case of reconciliation differences with the involvement of sub-custodians and nostro account managers, in cooperation with the Business Support and Data Reconciliation Department.

### **1.3 Business Support and Data Reconciliation Department**

Performing reconciliation and tasks supporting the operation, services of the Banking Operations and Product Management Directorate and the efficiency of work.

Opening, terminating and suspending securities accounts, Forint and foreign currency accounts and sub-accounts.

Reporting to the Court of Registration the cash accounts of the Company.

Tasks related to collateral management:

- setting haircuts and valuation prices by beneficiary legal grounds, instruments and instrument groups,
- setting concentration limit,
- instrument revaluation.

Net asset value calculation weekly, monthly.

Calculating and invoicing securities and cash account management, transaction, settlement, issuance fees, and interest, financial transaction duty.

Management of complaints and issues related to accounts.

Monitoring pending accounts.

Daily reconciliation and matching with the general ledger of securities and cash nostro accounts and central securities accounts.



Daily reconciliation of fraction quantity securities.

Informing the areas concerned in case of reconciliation differences.

Performing tasks related to annual inventory taking, teller check, and depository reconciliation.

Uploading prices provided by BAMOSZ, ÁKK, Treasury, MNB mid-rates, and international security prices.

General calendar and operating hours setting, and performing tasks related to operating hour extension.

Monitoring in the electronic company register the clients subject to bankruptcy proceedings, performing related tasks (finality)

Accepting for settlement the trades in international securities series made on the BÉTa Market of the Budapest Stock Exchange, management of related documents, issuing the acceptance statement.

Performing tasks related to reporting and bank information:

- management of audit letters, authorization letters,
- management of inquiries by authorities, collections
- preparation of physical account statements, statements of holdings, transaction statements,
- tasks related to daily, weekly, monthly and annual reporting,
- preparation of KPIs, statistics.

Issuing the Legal Entity Identifier (LEI).

Cooperation in the application for the LEI to identify counterparties, required for derivative reporting under EMIR, more specifically:

- checking data submitted electronically by the clients with the data stated in the certificate of incorporation,
- forwarding client applications to WM Datenservice, the contracted LEI code issuer of KELER,
- forwarding to applicants the LEI codes sent by WM Datenservice,
- managing the invoices issued by WM Datenservice and KELER, and
- ad hoc and annual review of the underlying data of LEI codes (certificates of incorporation).

## **1.4 Product Management Department**

The Product Management Department is responsible for ensuring the high quality and continuous improvement of the products and services of the Company, for improving the business result.

### **1.4.1. Analyses, preparation of strategic decisions**

The Department provides professional support for the finalization of the business strategy of the

Company. It assesses and analyzes domestic and international processes, future events, special business situations, opportunities in close cooperation with the area responsible for the strategy of the Company.

#### **1.4.2. Product development**

Maintenance and continuous improvement of the existing services and products of the Company in order to retain and improve marketability and profitability.

Defining new business opportunities, product development needs derived from market opportunities and client needs, in line with the strategy and medium and long-term plans of the Company. Exploring, collecting, managing new service, product development opportunities, from defining the business or other need, including planning with the participation of all relevant units and implementation until product profitability monitoring and future improvements. Finalizing product programs, development proposals and managing related approval processes, monitoring and back testing product deployment.

Continuous control and improvement of the products and services of the Company. Responsibility for the marketability, profitability of products, related legal, accounting, tax compliance in order to ensure that products reach their full potential in a prudent manner. Launching, managing product developments, and the definition of service fees.

Finalization and maintenance of procedures, methodology and documents related to product development. Operation and supervision of the product management processes of the Company based on methodology.

### **1.5 Business Process Management Department**

The Business Process Management Department is responsible for ensuring process-based operation in developments and in the operation of the Company as an organization, with the involvement of the relevant areas.

Coordination of business process assessment, management of such assessment on behalf of the business, monitoring changes, ensuring the quality of the assessment, keeping in mind the opportunities to improve efficiency when processes are assessed.

Coordinating the preparation of documents related to the operation of the Company, and ensuring such documents are up-to-date.

Defining development needs with a process focus, ensuring process focus in developments and product developments. Introduction and maintenance of methodology to ensure process-based operation in the Company.

### **1.6 Special Partner Cooperations (not an independent organizational unit)**

Exploring, coordinating special partner cooperations of the Company, in cooperation with the area in charge of strategy.

The Company ensures the resources needed for the related tasks on a project basis.

Leadership:

The Banking Operations and Product Management Directorate is led by the Director.

The Banking Operations area includes the Account Management Department, the Corporate Actions and Issuer Services Department and the Business Support and Data Reconciliation Department that are led by the Banking Operations Deputy Director directly reporting to the Director.

The Product Management area includes the Product Management Department, the Business Process Management Department and Special Partner Cooperations that are led by the Product Management Deputy Director directly reporting to the Director.

## **2. IT Directorate**

Unit name: IT Directorate

The IT Directorate is in charge of providing IT support to the operation of the Company, the development of IT solutions in line with business and security needs and the applicable regulations, recommendations by authorities and the cost efficiency and client focus requirements of shareholders. The IT Directorate performs the technology function stated in the CSDR.

Tasks and authorities

The IT Directorate is in charge of the following tasks:

- ensuring the continuous operation of IT systems,
- completing the IT development of support systems in line with business needs,
- in order to ensure the expected level of operational security:
- executing IT investments,
- creation of operating processes in cooperation with Security Management, in line with the distribution of tasks stated in the IT Directorate regulation,
- developing IT services to improve the efficiency of business processes,
- keeping contact with IT experts and suppliers,
- providing IT support to the decisions of the Company,
- setting the direction of IT strategy, the IT strategy to support the strategic objectives stated in the business strategy, and the business processes and their sustainability,
- implementing the functions determined in valid legislation and keeping records.

The following units operate within the IT Directorate in close cooperation:

- IT Operations Department,
- Application Development Department,
- Service Desk Team,
- System Operation Team,
- IT Management Support Team.

### **2.1. Tasks of IT Operations Department**

IT Operations Department is responsible for creating processes and operational order to ensure the continuous operation of the elements of the IT system as expected under the SLAs, compliance with legislation, and maintenance of operations documents and professional operation of the following system elements:

- communication tools and lines,
- operations and middleware systems,
- hardware components, hosts,
- environmental infrastructure,
- databases.

It enforces the joint objectives of quality, timeliness and cost efficiency related to its tasks and authorities.

Acting within the scope of authorities, in order to ensure the reasonably expected continuous operation, IT Operations Department tests regularly and keeps up to date the disaster recovery plan of the Company and prepares to be ready and able to apply the plan.

IT Operations Department staff takes part in:

- troubleshooting under the direction of Service Desk Team,
- the implementation of development tasks planned, consulted by Application Development Department,
- the operation of the controlling environment to measure the requirements stated in SLAs, performing the necessary monitoring activities.

## **2.2. Tasks of Application Development Department**

IT Development Department is in charge of planning and implementing the developments of the IT system due to business requirements and to ensure continuous operation, providing user support to business systems, planning and implementing the infrastructural developments due to business requirements and in order to ensure continuous operation.

In order to perform the above duties, IT Development Department:

- prepares subject matter expert documents and material to support decision making,
- plans and organizes the performance of development tasks assigned to IT Development,
- takes part in finalizing the annual IT development and investment plan, states the expected cost of developments,
- develops the methodology of application development, project methodology,
- provides the appropriate number and quality of experts to ensure successful project delivery,
- has special responsibility for compliance with non-functional requirements during the implementation of development tasks,
- maintains the methodology of application development; ensures compliance and complies with the requirements therein stated subject to the scope of activities and authorities,
- takes part in the creation of the disaster recovery plan of the Company to ensure the plan is in line with the business requirements related to business continuity,
- makes strategic recommendations on standardization and technology directions,
- meets the requirements of quality, timeliness and cost efficiency in its scope of activities and authorities,
- manages the agreements related to developments,
- is in charge of release management.

Application Development Department staff takes part in:

- troubleshooting under the direction of Service Desk,
- the end-to-end process of IT system testing.

### **2.3. Tasks of Service Desk Team**

Acting as the central IT client service, Service Desk Team receives reports from internal and external parties related to IT services, organizes and directs troubleshooting, acquires and provides to clients the security certificates required to access online systems (e.g. WARP), monitors the performance of activities related to reports related to issues other than troubleshooting. It informs reporting parties regularly on the reports made and keeps related records.

In line with the Complaint Management Regulation of the Company, the Team manages complaints reported on the phone, and checks every second week that the complaints recorded in the complaint register are up to date.

It makes recommendations and completes analyses related to reports to the IT client service and the prevention of breakdowns.

It monitors regularly that the requirements stated in service level agreements (SLA) are met and performs related controlling tasks.

It determines availability indicators and complies with the reporting requirements of overseers.

### **2.4. Tasks of System Operation Team**

The Team is in charge of the operating tasks of applications linked to the IT system supporting business services, cooperates in their launch, changes, and supports testings, operates the test environments, participates in BCP/DRP updating, testing, executes necessary validations, manages the warnings and alerts generated by the supervisory system, and cooperates and keeps contact with the suppliers of IT equipment.

### **2.5. Tasks of the Management Support Team**

The Team participates in the creation of the IT strategy and the annual development plan, the definition of the documentation order of secure operation complying with legal requirements, the definition of the internal operating rules of the IT Directorate. Its responsibilities include the measurement, correction of the internal operating processes of the IT Directorate and the mitigation of operating risks, coordination of the tasks of the Directorate related to the change of the internal regulatory system of the KELER Group, coordination across organizational units, registering tasks of compliance nature, coordination of the execution of such tasks. Responsibilities include oversight, administration of the change management process, management of source codes and execution of custodian tasks of source codes owned by KELER, regular checking of applications installed on computers, detection of illegal applications, registration and management of licenses.

#### Leadership

The IT Directorate is led by a Director. The Deputy IT Director, the IT Operations Department Head and the Application Development Department Head.

The operation and organizational structure of the IT Directorate is governed by the applicable director order.

### **3. Finance Directorate**

Unit name: Finance Directorate

#### **3.1 Finance and Accounting Department**

Tasks and authorities

Performance of tasks related to the business activity of the Company, keeping business books.

Creation of the financial, accounting rules and policies of the Company. Participation in the creation of the annual business plan, budget and back testing. Preparation of the financial statements (balance sheet, profit and loss statement) of the Company.

Creation of internal finance rules, meeting the financial obligations related to operation, investments and operations.

Recording, amortizing tangibles and intangibles.

Keeping records on contracts with financial commitments entered by the Company.

Performance of tasks related to business trips by Company employees, including related financial tasks.

Filing rehabilitation contribution reports, related statements, payments and accounting tasks.

#### **3.2. Controlling Department**

Tasks and authorities

Annual and medium term business planning in line with the business strategy of the Company. Coordination, support to various units related to planning.

Controlling, financial planning and analysis in line with the strategy and business policy of the Company.

Preparing the business plan of the Company, related back testing, and preparation of quarterly business reports.

Participation in the creation and operation of the financial reporting system.

Preparing regular and case by case reports, analyses to shareholders and management.

Continuous validation and development of the business and general ledger system controlling functions.

Theoretical support to the performance of the tasks of the finance and accounting field.

Contribution to the improvement of efficiency and profitability, participation in the creation and

revisions of procedures, recommendations, processes. Participation in the creation and continuous development of the regulatory environment.

Participation in the compilation of information required by the auditor.

Annual preparation of cost price calculation, creation and annual review of the related regulation. Making recommendations and action plans based on the result of cost price calculation.

Participation in transfer pricing related tasks.

Reviewing regulations from the point of view of controlling, making related recommendations.

Performing tasks related to project controlling.

Participation in the creation and operation of the management information system.

### **3.3. Maintenance and Purchasing Department**

Tasks and authorities

#### **a. Tasks of Mail Room**

Putting into envelopes the account management statements related to the activity of the Company and the stock exchange settlement statements, addressing envelopes, delivery to the addressee on time by mail or courier.

Delivering the MNB statements, Treasury and other material received in the morning courier delivery to the appropriate units.

Mail box rental, postage payment, electronic delivery list services.

Finalizing the daily outgoing mail list, receipt and delivery for registration to the central Filing of items delivered by couriers, keeping contact with couriers (domestic, international).

Regular weekly deliveries between UniCredit Bank and the Rákóczi út premises of the Company.

Maintenance of the list of partners based on information received from the Central Master Data, monitoring and documenting changes.

#### **b. Tasks of central Filing**

Placing incoming items into the signature book, preparation for signature, delivery to units after signature.

Recording incoming documents and invoices in the ANDOC system.

Subscription to and distribution of dailies, magazines.

Document storage, destruction and archiving, keeping contact with the document storage company, checking their activity.



c. Organization tasks

Preparation for the Shareholders' meetings, Board meetings, Supervisory Board meetings based on the invitation provided by the CEO Secretariat.

Tasks related to mobile phone service and company cars.

Taking out and renewing property, liability, travel, car and other insurance policies, administration related to such insurances.

d. Operational tasks

Organization of the tasks related to the operation of the office building, with the involvement of a contracted service provider.

The service provider has the following duties:

- high voltage network related tasks, with special regard to the operation of the uninterrupted power supply equipment related to the areas of critical importance in terms of business, located at the registered offices of the Company and the operation of the diesel generator and the organization of the diesel duty,
- full-scale cleaning, facility management and related maintenance, troubleshooting tasks,
- fire protection and health and safety at work related tasks, e.g. elimination of the risk of accidents, replacement of fire extinguishing devices,
- undertaking standard review procedures, with the frequency stated in valid regulations (fire protection, protection against electric shock, protection against lightening, environmental reviews).

Organization of relocation, renovation, transport tasks, in-house and across the various premises of the Company, with the use of external service providers.

Keeping contact with the lessor of the premises, checking related costs and confirmation of invoices.

Organization of physical work to be performed on the premises of the Company by external service providers, making sure external parties and employees are aware of health and safety, fire protection requirements, retention of health and safety at work statements.

Completing the procedure to put into operation new or renovated work areas in terms of health and safety at work, before the areas are actually used. Making sure that documents, minutes required for the procedure are available.

Cooperation in the development of office infrastructure (except for IT).

Reviewing the health and safety at work and the fire protection activity undertaken by external parties that the CEO is personally responsible for in line with the valid legislation.

e. Centralized purchasing by the Company

Market research, requests for proposal, selection of the appropriate partner, product and/or service.

Execution of contracts, orders, recording them in the Contract Records System of the Company.

Comprehensive documentation of purchases and making the necessary reports.

### **3.4. Data Asset Management Department**

Tasks and authorities

The objective of the Department is to use the data assets of the Company, primarily for reporting, meet the mandatory reporting obligations of the KELER Group, and operate the business services provided by the Company related to meeting market reporting and disclosure obligations.

Tasks:

- Performing the reporting activity required by authorities, preparing mandatory reports, ISIN related reporting, preparing statistics, with support by the related business areas.
- Meeting client needs from the centrally managed data assets, by providing value added services, in cooperation with the areas involved in sales. Operating the market reporting service with the Trade Reporting system designed to manage client orders, performing related operative tasks.
- Creating the internal management information system, supporting, improving decision making processes, finalizing display tools, creation and management of uniform data dictionary, with the use of the data management systems of the Company.

Supporting the creation and operation of a process-based corporate operational model.

Meeting internal report needs with the use of business intelligence, integrating it into daily operation and corporate culture.

In the course of performing the APA and/or ARM (Approved Reporting Mechanism) activity, the employees of the Data Asset Management Department with main duties related to interests that may be in conflict with the interest of any client are subject to separate supervision. Special supervision is performed by the Department Head, and the decision whether special supervision is necessary is made by the Department Head.

### **3.5. Treasury Department**

Tasks and authorities

Responsibility for maintaining the liquidity and solvency of the Company, management of the securities portfolio of the Company. Representing the Company on the interbank (Forint, foreign exchange and securities) market.

Management of the liquidity position (related to money and securities) of the Company.

Compliance with the limits stated and approved by the Board of Directors and the Assets and Liabilities Committee.

Ensuring that the Company meets mandatory reserve obligation stated by the MNB.

Concluding trades in Forint and foreign currency, on the money and capital markets, related to the liquidity management and investment activity of the Company.

Monitoring the size of outgoing and incoming GIRO turnover, ensuring cover by blocking securities if necessary.

Daily matching of assets and liabilities, analyzing data.

Management and analysis of the securities portfolio of the Company.

Taking part in the execution of compulsory measures.

Preparation of Assets and Liabilities Committee meetings. This activity includes the preparation of the liquidity plan and the monthly report, market analysis, preparation of decisions, the making of proposals.

Taking part in the back testing of quarterly business results and in financial planning.

Provision of FX services as needed.

Leadership:

The Finance Directorate is led by the Finance Director.

#### **4. Strategy and Client Relations Directorate**

Unit name: Strategy and Client Relations Directorate

Tasks and authorities

The Strategy and Client Relations Directorate is in charge of business and strategy development, exploring new business opportunities and making action plans to exploit opportunities. It submits strategic plans for at least three-year periods, prepared on a rolling basis, based on two scenarios (optimist, pessimist), to Management, the Board and the Shareholders' Meeting for decision making. It is in charge of new product and service development, sales, and coordinating and managing the projects of the Company. The directorate builds the image of the Company, keeps contact with clients and other market participants. The directorate is responsible for the management of the human resources of the Company, for performing and coordinating certain legal activities related to the activity of the Company, and for the continuous renewal of the Company, the improvement of organizational efficiency.

Leadership

The Strategy and Client Relations Directorate is led by a Director. The Deputy Director of Strategy and Client Relations, the Head of Human Resources Management, the Head of the Legal Department report directly to the Director. The Director itself leads the Project Management Office. The Director of Strategy and Client Relations is not entitled to exercise the special rights of the employer.

##### **4.1. Human Resources Management**

Strategic support to the Company in terms of human resources management in order to ensure that motivated human resources in the necessary quantity and quality are available to meet the business plan of the Company.

Tasks and authorities:

Annual planning of Company headcount and related personal expenses.

Creation, operation and validation of the remuneration and incentive system based on human resources, wage management and performance requirements.

Creation of the remuneration policy and regulation of the Company.

Human resources management support to the entire workforce of the Company.

Management of human resources-related processes, issues, issue resolution, coordination with the units concerned.

Supervision, continuous maintenance and development of processes and regulations related to human resources.

Daily coordination and keeping contact with managers.

Measuring, developing and improving employee satisfaction.

Creation of the training and workforce development concept of the Company, preparation of training plans for each employee.

Preparation and execution of the annual training plan of the Company.

Planning, distribution and validation of the annual training budget of the Company.

Management of training tasks, organization, coordination of trainings, study tours offered by the Company and by external organizations.

Assessment of the influences of training on the organization and the workforce.

Definition of organizational development related tasks of the Company, coordination of implementation.

Monitoring the compensation policy of the financial sector, compensation surveys, and income study analysis.

Regular review in terms of legal, tax efficiency of the allowances offered by the Company, and analysis of the usefulness of the program based on employee feedback.

Management of allowance-related information.

Cooperation with HR consulting companies.

Full supervision and operation of the recruitment process.

Improvement, regular measurement of the project management culture level of the Company.

Labor-related tasks

Keeping labor and personnel records.

Daily tasks related to employment (hiring, exits, etc.).

Preparing employment contracts, any amendments.

Through the external payroll company payroll, posting wages, keeping personal income tax records, social security individual records, keeping records of agency, expert agreements and fees, personal income tax returns, payments, settlement. Employee contributions monthly/annual returns, payment, settlement. Employer contribution monthly/annual returns, payment, settlement coordination, validation.

Through the external payroll company posting, claiming and settlement of social security contributions. Contributions and allowances monthly returns, payments, reconciliation.

Full scale performance of activity related to study contracts.

Reporting.

Pension fund administration.

KSH monthly and annual reporting.

Cafeteria

Leadership

The organizational unit is led by the Human Resources Head.

Human Resources Management performs its activities in relation to all organizational units. The CEO exercises the rights of the employer in relation to the employees of the Company, and has powers to make decision on determining wages and other allowances, with respect to the provisions of the Remuneration Policy and the Remuneration Regulation, the HR Regulation and related regulatory documents.

#### **4.2. Legal Department**

Legal Department provides legal support to the activity of the Company, on its own and with the external legal representative of the Company, and the partners mandated to provide legal support.

It performs legal tasks related to the operation and activity of the Company (licenses, qualifications, memberships, authorizations, giving opinion on internal regulations, preparation of regulatory documents within its scope of responsibilities, etc.);

It coordinates and provides professional support with respect to the creation of legislation influencing the operation and activity of the Company and external regulatory work.

It supports the market activity of the Company and business and professional partners with the provision of legal support to the preparation of uncommitted regulatory interpretations/publications.

It performs legal tasks related to client relations (interpretation of agreements, complaint management, etc.).

It provides legal support to the collection of receivables.

It performs legal quality assurance in relation to supplier / buyer agreements.

It supports the legal / agreement background of institutional relations (direct/indirect).

Support to the tasks related to the development and change of Company organization, processes, in cooperation with Compliance.

It coordinates the cooperation with partners mandated to represent the Company and provide legal support, in cooperation with Compliance.

It participates in the committees of the Company as required in other regulatory documents also.

It prepares the meetings of the Board of Directors and the Supervisory Board, the Shareholders' Meetings.

It keeps the records on Board of Directors and Supervisory Board meetings and at the Shareholders' Meetings and gets such records signed.

Leadership

The organizational unit is led by the Legal Department Head.

### **4.3. Project Management Office**

#### **4.3.1. Project Competence Center (PCC)**

Tasks and authorities

The Project Competence Center coordinates all product development needs at the Company, keeps the central register of needs, filters and coordinates needs. It makes decisions at its own discretion on keeping or rejecting needs after the first level filtering of development needs. It categorizes and prioritizes product development needs and related projects.

The unit is in charge of the following main tasks:

Creation of the Company development project portfolio with the involvement of respective business areas.

Creation and monitoring of the project portfolio resource plan, coordination of project interdependencies.

Regular maintenance, update of the project portfolio.

Performing the tasks of the Portfolio Council secretary.

Quality assurance of the projects in progress at the Company, in compliance with project standards.

Supporting project managers, sponsors in the interest of efficient project operation.

As part of quality assurance, examining the project governance process (governance process and products) and the project products, analyzing project processes to explore additional risks that put at risk project scope / timeline / budget, making proposals to avoid such risks.

Regular reporting to the Project Council and the Project Steering Committee (sponsor).

#### **4.3.2. Strategic Modernization Program (SMP)**

Tasks and authorities

The main task and goal of the Strategic Modernization Program launched in 2012 is ensuring compliance with Target2-Securities (T2S) by modernizing and replacing the account management systems of the Company. The objective is the creation of infrastructure that ensures the long-term the success of the Company and the provision of correct, fast and efficient services to clients. The main task of the area is leading the modernization efforts laid down in the SMP Project Charter, ensuring that resources are available and implementing certain resulting tasks.

The area performs the following main tasks:

Leading the SMP.

Planning the SMP, monitoring progress.

Performing analysis related to the SMP (e.g. analysis of current Company operation, stating the future expected operation).

Performing business and IT tasks related to the SMP (e.g. preparation of SMP decisions, assessing the impact of SMP on Company operation, products, services, organization, T2S compliance, coordination of system implementation, etc.)

Involving external resources in the SMP.

Regular reporting to Management and the Board of Directors on SMP.

Leadership

The organizational unit is led directly by the Director of Strategy and Client Relations.

#### **4.4. Sales, Client Relations and Marketing Department**

Tasks and authorities

The main task of the Sales, Client Relations and Marketing Department is keeping contact with clients, peers and professional organizations, appropriate communication in terms of content and format related to all the products and services of the Company, sales in line with client needs and market opportunities.

##### **4.4.1. Keeping contact with Hungarian and international clients**

Keeping contact with foreign and Hungarian clients. Providing the information foreign clients need and management of due diligence visits. Creation and coordination of comprehensive professional materials for clients.

Selling the services of the Company, maximizing client profitability. Setting and managing sales objectives in cooperation with other departments. Assessing the market view of services, initiation of corrective, development measures. Initiation and implementation of development and sales processes based on client needs and business strategy.

Presentations to the target market, trainings, preparing and presenting subject matter



materials. Participation in product development and the creation of marketable pricing.

Creation, coordination, review, publication, retention of individual partner information by the Company and regular documents (including BCP and crisis communication).

#### **4.4.2. „Public policy”**

Representation of Company interests in Hungarian and international regulatory and harmonization processes involving the industry, the Company and its activity, in line with the applicable internal regulatory document of the Company.

Representation of the interests of the Company and the Hungarian capital market in the international, primarily European integration of capital markets.

Undertaking non-legal operative tasks arising from domestic and international regulatory, harmonization and integration processes.

#### **4.4.3. Client Service activity:**

- Providing and receiving information material, form contracts and forms, providing and checking account opening documents.
- Accepting partners for account management.
- Receiving orders from clients, issuing confirmation certificates.
- Recording the data of the clients of the Company.

#### **4.4.4. Marketing, PR and communication**

Management, development of the corporate identity of the Company, organization and coordination of the public appearances, publications, events of the Company.

Making preparations for and holding presentations in Hungary and abroad. Preparing the individual subject matter writings to be published, related coordination. Management of press relations, coordination of press releases.

Editing and preparing Company publications.

Operative tasks related to advertising and gifts, deciding on the corporate identity, type, quality and quantity.

Coordination of the events involving the partners of the Company.

Maintenance of the internal communication strategy of the Company, related operative tasks.

Continuous maintenance, monitoring of the Internet and Intranet sites of the Company, overall management of development processes, creation, optimization and controlling the process of content management.

Keeping contact with the service provider/operator developing, maintaining and operating the Intranet and Internet sites of the Company.

The organizational unit is led by the Department Head of Sales, Client Relations and Marketing that reports directly to the Strategy and Client Relations Deputy Director.

#### **4.5 Network Management Department**

Tasks and authorities

The primary task of the department is the management of the international bank and depository relationships of the KELER Group and the creation of new relationships.

The department is responsible for the creation of the Central Eastern European network of depositories that is a goal defined in the T2S strategy of KELER, related to this goal relationships will be established with depositories and other market participants (commercial banks, central banks, etc.) in the region.

Creation of the Network Management Department function within the KELER Group: methodology, regular maintenance (e.g. in line with international regulations and guidance), documenting the methodology.

Creation of the account relationships of the KELER Group.

Research: assessment of the operation, the business opportunities and the risks arising in certain markets; assessment of the infrastructures, products and services offered by market participants, preparing related documents.

Tendering and selection: finalizing the tender aspects, implementation of tendering and selection.

Contract negotiation with the involvement of the Legal Representation.

Price negotiations with the support of the Product Management Department.

Negotiating „Service Level Agreements” with help from the banking operations units involved.

Implementation support, starting IT and product developments in harmony with the opportunities in the given market and of the partner concerned.

Maintenance of account relationships: keeping contact with partners, regular due diligence visits in line with the valid international requirements also, organization and implementation of the due diligence process.

Other regular duties: assessment of quality and costs, risk analysis and assessment, support to decision making, solving issues related to account relationships, controlling the fees paid, maintenance of contracts.

Provision of information related to partners: creation of client information based on details provided by partners (e.g. in case of changes to services and fees), related coordination for the unit in charge of client relations, e.g. Market Watch, Market Profile. information on changes to the units involved.

Continuous exchange of information with departments (product, client, operations, and risk management, legal) to make sure that the development of the services and procedures of KELER is in line with the opportunities represented by account relationships and that account relationships support client needs and services.

The duties of the department also include support to sales and client communication.

#### Leadership

The head of the organizational unit reports directly to the Strategy and Client Relations Deputy Director.

## **5. Internal Audit**

Unit name: Internal Audit

Internal Audit performs work based on the annual work schedule approved by the Supervisory Board.

Only the Supervisory Board, the head of Internal Audit or the CEO with consent by or subsequent information to the Supervisory Board can give task assignments to Internal Audit in addition to the annual approved review plan.

The operation of Internal Audit is supervised and controlled by the Supervisory Board. The head of Internal Audit reports to the Supervisory Board.

Internal Audit acts as the internal audit function stated in the CSDR.

### Tasks and authorities

Internal Audit makes an annual audit work plan to schedule tasks; this plan is to be approved by the Supervisory Board. Basic aspects considered to determine audit tasks include high priority activities and processes with inherent risks, operation of controls and the audit needs of the Supervisory Board/the CEO.

Based on the annual work plan approved by the Supervisory Board, Internal Audit completes general audits, topical audits, targeted audits and follow-up audits.

In line with the applicable legal requirements, the duties of Internal Audit include:

- reviewing the operation of the Company in line with its internal regulations,
- reviewing the central depository and ancillary investment services, the provision of financial services in terms of legality, security, transparency and
- reviewing other areas referred to Internal Audit in separate legal regulations.

Internal Audit makes a report on the implementation of audit(s), the results of the reviews, including recommendations to eliminate shortcomings.

Internal Audit reviews check compliance with the applicable legal requirements, CEO orders, internal regulations and orders by directors and that the content of regulations is sufficiently strict.

It reviews and gives an opinion on control processes in business areas, with special regard to the development, operation and change management of computer systems, the creation of control points and the operation of processes in line with the applicable rules.

It checks compliance with the rules on support documents to be used related to finances and operation and with the rules on purchasing.

It checks the operation of the Company in terms of legality, security and transparency.

It checks that the implementation of reconciliation and inventory taking of physical securities is

in line with the requirements of the Regulation on Inventory Taking.

It reviews the creation and operation of process embedded controls.

It contributes to efficient management efficiency and the protection of property.

It reviews regularly the performance of any outsourcing under the Tpt. and the Bszt., and reviews at least annually outsourcing under the Hpt.

It checks that the tasks defined in action plans to address system shortcomings detected during the review of the Company by external authorities and other bodies (e.g. MNB, statutory auditor) or in letters documenting reviews (e.g. management letter) are implemented by the deadline and that the Company has taken all necessary measures to terminate the errors, shortcomings identified.

It checks that reporting to the Supervision and the Magyar Nemzeti Bank and all other mandatory reporting obligations of the Company are in line with the requirements.

Leadership:

Directly supervised by the Supervisory Board, Internal Audit performs work related to all organizational units. The head of Internal Audit leads the unit.

The CEO exercises the rights of the employer related to Internal Audit.

## **6. Security Management**

Unit name: Security Management

Tasks and authorities

It is responsible for creating the security policy and the strategy of protection in line with the strategy, business policy of the Company to ensure preventive protection of the data, personnel, property, business and security of the Company in order to reduce security risks to an acceptable level. This also includes preparation for extraordinary events, disaster recovery, and exceptional periodic obligations.

It defines the directions and major focus points of protection in line with the priorities of the security policy of the Company.

In order to achieve the goals of security policy, it assesses and analyses security risks, creates the HR, personnel, data and property protection tools to protect the areas exposed to risk in line with the level or risk, in case of new facilities and investments (or transformation of existing premises) with the involvement of architects and developers. If the tasks determined during the assessment of security risks are not implemented by the deadline or it is foreseen that tasks will not be implemented by the deadline, Security Management submits the issue to the Management in order to make a decision.

Security Management employs a complex array of security-protection instruments and methods and cooperates with the heads of units (depending on the nature of the activity with the involvement of external parties also) to perform its tasks.

It creates internal regulations, recommendations applicable to all organizational units of the Company and cooperates in the implementation of these regulations. As part of this task, it takes care of training on regulations and orders, in line with the different needs of employees, enforces regulations and checks compliance.

It develops and operates the independent systems in charge of the IT system security control at the Company and keeps related records. It cooperates in the enforcement of security aspects in IT system developments and change management. It performs IT security tasks in cooperation with the IT Directorate, in line with the division of work stated in its operating procedures.

It investigates situations, events representing security threats all over the premises of the Company, related to the entire operation, takes the necessary measures and informs the CEO without delay.

It creates the entry system.

It coordinates and acts as the subject matter leader of plan maintenance, BCP-DRP action plan testing, coordination of crisis situations and reporting related to crisis and disaster situations.

It is in charge of performing process embedded IT security risk analysis and periodic full-scale IT security risk analysis as stated in valid regulations.

It prepares development plans, documents to support decision making, gives its opinion and makes reports.

It is in charge of setting up a complex security and protection system, covering the entire organization and all the assets, standard for all premises and locations of the Company to keep security risks as low as possible, with the objective of prevention and mitigation of damage, organizing and directing the manned security and surveillance services provided by external service providers under its supervision.

It keeps contact and cooperates with authorities and the security units of other institutions related to security issues.

It creates and checks premises subject to enhanced protection.

Leadership:

Security Management reports directly to the CEO and performs tasks related to all organizational units. The unit is led by the Security Manager.

## **7. Quality Assurance Management**

Unit name: Quality Assurance Management

The Quality Assurance Manager creates an annual work plan on the detailed program to be completed and the timing of tasks. The CEO approves the plan.

### Tasks and authorities

- creation and operation of the regulatory system and policy of quality assurance,
- ensuring and checking that operation is in line with the internal regulation on quality,
- participation in the creation and amendment of regulations,
- making recommendations to achieve high quality,
- quality assurance, evaluation of the development, processing and investment processes of the Company,
- performing quality assurance tasks related to the implementation of high priority investments in line with the Investment Regulation,
- rating of suppliers,
- making a review plan based on the work plan approved by the CEO,
- creation of the annual quality assurance work plan and completing on time the tasks stated in the plan approved by the CEO, related reporting,
- quality assurance of projects,
- performing on time and related checking of tasks stated in action plans on the termination of quality assurance issues detected in reviews by external bodies (authorities and other parties) of the operation of the Company or in management letters documenting the review completed, based on the order of the CEO,
- performing control activities during the overseer reporting on availability,
- participation in regular consultations on IT system breakdowns/outages,
- quality assurance of the legal use of software licenses by the Company,
- quality assurance of the security escalation procedures,
- participation in IT security risk analysis.

### Leadership

The Quality Assurance Manager reports directly to the CEO.



## **8. Risk Management Director**

In order to perform professional control and supervision of the risk management function, KELER employs the Risk Management Director. The Risk Management Director is responsible for completing the tasks of the risk management function stated in the CSDR.

### Risk management function

In line with the outsourcing agreement concluded by KELER CCP and the Company, KELER CCP performs the following activities for the Company.

The Chief Executive Officer supervises the activity of the service provider contracted by the Company to perform the risk management function.

### Tasks and authority

Assessment and analysis of the business risk elements related to the services of the Company, finalizing methods to restrict them, and creation, operation of the organization and system necessary for risk management.

Creation, regular review of internal regulations required by law and related to risk management, making related proposals.

Creation, maintenance and development of the bank rating methodology. Performing operative activities related to bank rating, and, as part of these, making analyses and proposals.

Creation, regular review of the Treasury limit system, making related proposals. Treasury limit monitoring.

Annual mark to market of investment participations, and checking compliance with the investment restrictions stated in law.

Monitoring the settlement credit lines KELER provides to partners subject to government securities cover.

Regular analysis of non-guaranteed markets.

Keeping the trading book and valuation of trading book positions. Comprehensive capital requirement calculation. Monitoring large exposures, limit excesses.

Measuring, monitoring and periodic analysis of market risks, country risks, concentration risks. Creation, review of processes and procedures related to the internal capital adequacy assessment process (ICAAP) applied by KELER, and ensuring ongoing compliance.

Management of operational risks. Organizing the collection of loss data and key risk indicators, training, coordination, analysis of data. Capital need calculation. Reporting to the Operational Risk Committee. Creating, executing, monitoring action plans to decrease risks.

Creation of the recovery plan related to the credit institution function of KELER in line with Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises, and review with the frequency stated in the Recovery Plan.

## **9. Compliance**

Compliance identifies and manages the compliance risks of the Company. Furthermore, Compliance acts as the compliance and internal control function stated in the CSDR.

Tasks and authority

Identification and up-to-date monitoring of the compliance risks of the Company, directly performing processes to decrease compliance risk, and recommending the creation of, supervising and checking such processes throughout the Company.

Giving opinion, consulting, checking and reporting within the Company, related to its tasks.

Monitoring, interpreting the external regulations, standards and recommendations related to the compliance risk of the Company, comparison to the internal regulation, practice of the Company, in cooperation with Legal Representation, and, based on this, recommending the necessary compliance level, and the measures required to attain it.

Regularly informing the Management of the Company on changes in compliance risks and the measures required for the management of such risks.

Requesting the Chief Executive Officer to order internal audit review related to compliance.

Monitoring the measures taken to terminate the shortcomings detected in its reviews.

Monitoring the AML (anti-money laundering), CTF (counter terrorism financing) and KYC (Know Your Customer) measures conforming to regulations and other requirements valid from time to time.

Regular, at least annual review of compliance with the rules to be followed stated in the law on the prevention of money laundering and terrorism financing.

Collecting the reports stated in the law on the prevention of money laundering and terrorism financing and forwarding them to the competent authorities. Investigation of suspicious transactions.

Requesting the training of employees involved in compliance risks at the Company, preparation of training material.

Ensuring the consistency of the valid regulatory documents of the Company, with the involvement of the Legal Representation. Checking the regulatory documents of the Company in terms of compliance, before publishing such documents.

Performing tasks related to the entry into force of regulatory documents.

Management of the personal conflicts of interest within the Company, and investigation of conflict of interest and reporting obligations.

Ensuring the exchange of information in the framework of internal regulations related to the units where the use of confidential information may give rise to misuse.

Checking the conflict of interest rules on employees and executive officers, organization of the reporting process.

Based on the regulation on the terms of investment activity that executive officers and employees can engage in, keeping the employee statements related to investments and the statements related to investments of the persons considered executive officers of the Company.

Performing the compliance tasks related to insider trading and the prohibition of market manipulation; creating, managing and maintaining the necessary registers, requesting the making of the disclosures required, checking that such disclosures are made.

Creation of the annual compliance work plan.

Preparing the annual compliance checking report to the Management and the Board of Directors.

Updating the minutes on shareholders' meetings, Board of Directors meetings and decrees in the folders of the system used to manage internal documents, completing forms, and keeping summary lists up-to-date.

Compliance performs the internal control activity stated in the CSDR.

The Chief Executive Officer is entitled to instruct the colleagues of Compliance.