

KELER Ltd.'s conditions of acceptance of securities and currencies collateral

Effective from: 21 June 2017

According to the General Business Rules of KELER Ltd., KELER Ltd. accepts only currencies and securities listed below as a financial collateral.

Securities denominated in HUF¹:

- Government securities that are listed or shall be listed on the MTS Hungary under the agreement between EuroMTS and the State Debt Management Agency Ltd. (ÁKK),
- Discount T-Bills and Treasury Notes without reference to listing on MTS Hungary,
- Equity securities listed on the BSE and included in the BUX-basket (see the list below): OTP, MOL, MTELEKOM, RICHTER,

Securities denominated in foreign currency²:

- non-HUF denominated Hungarian government bonds based on client request,

Acceptable financial instruments:

KELER Ltd. accepts the following currencies in cash as collateral: HUF, CHF, EUR, GBP and USD.

Collateral values of securities and currencies accepted as a financial collateral are valued daily at the end of settlement day, after KELER Ltd. has fixed the daily re-valuation rate for the next settlement day as well as the freezing rate for the next settlement day which is equal to the next settlement day's rate for all securities and currencies (**acceptance rate**).

Calculation of acceptance rate:

Calculation of acceptance rate in case of securities and currencies is as follows:

$\text{Acceptance rate} = \text{Base valuation price} \times (1 - \text{haircut } \%)$
--

Base valuation price: price reflecting the market value of the security or currency that is fixed by KELER Ltd. daily with reference to market information for each security and currency. In case of non-HUF denominated securities, calculation of acceptance rate is effected on basis of the value of the face value calculated in HUF.

¹ 2 days before the maturity KELER CCP does not accept government bonds denominated in HUF

² 15 days before the maturity the KELER does not accept securities denominated in foreign currency.

Haircut:

The **haircut** is the given percentage value that reflects the accepted collateral asset's risk.

Applied conditions of acceptance for security categories (base valuation price, haircut):

Category of securities		Base valuation price	Haircut
Hungarian Government Bonds	<1 year	price calculated from ÁKK's reference yields	2%
	1-3 years		5%
	3-10 years		8%
	>10 years		12%
T-bills			
Interest bearing treasury bills			2%
Listed securities	OTP	last BSE closing price	24%
	MOL		20%
	RICHTER		15%
	MTELEKOM		15%
Non-HUF denominated Hungarian government bonds based on client request		face value calculated in HUF applying the CBH's mid rates	unique

Applied conditions of acceptance for individual currencies:

Acceptable currencies	Base valuation price	Haircut
HUF	Nominal value	0%
CHF	CBH's official HUF exchange middle rate	8%
EUR		7%
GBP		7%
USD		9%

Public acceptance rates:

Actual acceptance rates for securities and currencies are published daily via the KID terminal, following the daily valuation. Published prices are always valid until the next valuation.

Acceptance of non-HUF denominated Hungarian government bonds based on the clearing member's pre-request, which must be handled to Risk and Financial Management.

After receiving the pre-request KELER examines the terms of acceptance taking into account the legal and risk factors and decides about the acceptance of the proposed debt securities within 10 settlement days.

KELER CCP will not publish the accepted bonds; the KID gives information about the parameters during the distraint.

Restrictions on own issued securities:

KELER Ltd. does not accept from its Clearing Members those securities as a financial collateral which are issued by Clearing Members or by enterprises connected to the Clearing Members by direct or indirect ownership. Exceptions to the rule are securities issued by central banks or sovereign state.

Special process:

In case of changes in the market circumstances KELER Ltd. reserves the right to promptly change its acceptance conditions regarding valuation of acceptable securities and currencies.

Operate terms of conditions can be viewed at the KID terminal and at KELER Ltd.'s official website (www.keler.hu). KELER Ltd. publishes changes at the www.kozzetetelek.hu website operated by the HFSA.

13 June 2017

KELER Ltd.