KELER's Depository Announcement - No. 9-20

on the Detailed Presentation of Settlement Orders

Effective from: 6 December 2021

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1. Introduction

The purpose of this Depository Announcement is to describe the detailed rules for the settlement orders (instruction) and settlement mechanisms managed in the KELER settlement system.

The rules set out for Participants in this Announcement also apply to Account Holders who are not Participants and to the orders submitted by them.

The terms used in the Depository Announcement shall have the same meaning as defined in the General Business Rules.

2. Acceptance of orders

Settlement orders shall be accepted by KELER from the Participant or from an entity entitled to dispose of the securities account and authorised to do so under a separate provision.

The Participants and Account Holders that are not Issuers may submit their settlement orders to the settlement system of KELER by default via one of the electronic communication channels (SWIFT, KID), or market infrastructures (KELER, KELER CCP, BSE) may submit orders on behalf of and in place of Account Holders. The settlement orders received will be controlled and validated in terms of format and business content.

As a result of the validation, an order may be accepted or rejected, the fact and reason for which will be notified to the client or clients concerned in the form of a status message.

The system will only perform validation (and further processing and settlement) within the business day.

Orders received outside the business day, during the maintenance period, will only be confirmed by a technical acknowledgement message and the actual validation will be performed on the next business day.

The detailed description of the business day and the relevant deadlines are set out in Depository Announcement 9-11 on Cut-off times.

Upon successful acceptance of a settlement order by the system, the acceptance timestamp and the unique acceptance reference generated by KELER will be included in all status and settlement confirmation messages sent by KELER in relation to the order.

3. Matching of orders

Matching is the automatic process whereby the securities settlement system compares the information contained in the settlement orders provided by the seller and the buyer of securities in order to verify that the parties agree on the settlement terms of the transaction.

Based on the statutory provisions, the matching of settlement orders is mandatory. Exceptions to this rule are orders sent by the trading venue (BSE), the central counterparty (KELER CCP) or the central securities depository (KELER), as well as FOP transfers between accounts belonging to the same Participant (main account), which may be submitted to the KELER system in already matched form by the parties concerned.

In these cases, KELER will automatically attempt to settle the order in the seller and buyer securities accounts that are mandatorily specified in the order, without any pre-matching.

KELER ensures real-time matching and status messaging throughout the business day.

The system applies mandatory, additional and optional matching criteria.

The following data are **mandatory matching criteria** to be instructed by both counterparties:

- direction of securities movement (opposite direction is expected)
- payment type
- intended settlement date
- trade date
- ISIN code
- securities quantity to be settled
- ID of seller and buyer KELER participants (Party 1) (in BIC11 format)

In addition, for settlement orders to be settled against payment (DVP and PFOD):

- currency
- settlement amount taking into account tolerance limits
- direction of cash flow (opposite direction is expected)

For repo transactions, in addition to the above, additional matching pairs are required:

- Repo expiry date
- Repurchase amount taking into account tolerance limits

The **additional matching**, which are optional, but if filled in by one of the parties, they become a matching element. The additional matching fields are as follows:

- Opt-out indicator
- Ex-Cum indicator
- Counterparty securities account number
- Total number of linked instructions (for linked FOPs)
- Linkage type (for linked FOPs)

The **optional matching fields** become matching elements only if both counterparties populate them:

- common trade reference
- BIC11 code of KELER's participant's client. (The system always matches Party 2-level participants, regardless of whether the specified party chain has 2 or 3 elements.)

The matching process can result in the following conditions:

- Matched, i.e. the system found a counterparty order, the data of which meets the matching requirements (the matching fields are the same, and the direction fields are different)
- Unmatched:
    - the system has not found a counterparty order, with which a potential match can be made. The system returns a CMIS reason code in the status message.
    - the system has found a counterparty order that matches except for one piece of data and can therefore form a potential match with the submitted order. The system sends a DDAT, DSEC, or DMON reason code to the affected clients.

Unmatched orders shall not be further processed until a matching counterparty order is received.

A notification message (allegement) is sent to the settlement party about the unmatched orders, with which KELER informs the party concerned that an unmatched order is pending.

In case of successful matching, the system assigns a common post-matching reference and a matching timestamp to the order, which is indicated in all status and settlement notification messages sent during its lifecycle. This matching timestamp also indicates the date of irrevocability of the order.

4. Settlement tolerance limit

The Settlement tolerance limit is the maximum difference of the settlement amounts of two related settlement orders where matching is possible.

Tolerance limits are used in bands: for settlement amounts up to EUR 100,000 it is EUR 2, for settlement amounts exceeding EUR 100,000 it is EUR 25, or equivalent currency amounts for orders to be settled in both KELER and T2S.

Matching is performed by the system if the difference of settlement amounts is less than the tolerance limit. The system checks the band to be applied based on the settlement amount in the buyer's order. If there is a difference in the settlement amounts for matched orders, the settlement shall be based on the value in the seller's order.

KELER plans to calculate (revalue) the bands and tolerance limits valid in each currency once a year, on the first business day of each calendar year based on the current ECB exchange rates. Deviation from this may occur in case of extraordinary volatility or major exchange rate shift on the market. In the event of a tolerance limit change during the settlement cycle (i.e. the time between the matching and settlement of the order), the bands and tolerance limits in effect on the day of matching will apply, regardless of whether the transaction is settled later.

The tolerance limits by currency at the time of entry into force of this Announcement are as follows:

Currency	Settlement amount band	Tolerance limit within the band	Tolerance limit above the band	Exchange rate (EUR/CCY)
HUF	36,389,000	728	9,097	363.89
EUR	100,000.00	2.00	25.00	1
USD	122,710.00	2.45	30.68	1.2271
GBP	89,903.00	1.80	22.48	0.8990
PLN	455,970.00	11.19	139.88	4.5597
CHF	108,020.00	1.94	24.28	1.0802

5. Matching BIC

For the matching of settlement orders, KELER primarily uses the matching BIC assigned to the Participant's main account. This 11-character identifier is used by the Participants to identify their settlement counterparties. If the Participant does not have a unique BIC assigned to the main account, KELER may provide the Participant with technical BIC (KELEHUH1XXX). In certain cases (intra-BP transfers within the same main account, automatic FOP credit transfer generation), the provision of a matching BIC is mandatory but not a sufficient condition for settlement and the provision of the settlement party's account number is also mandatory.

6. KELER generated transfer receipt order

Given the fact that the matching of settlement orders and transfers between different Central Securities Accounts (main accounts) is mandatory under the SDR rules, Participants receiving securities transfers are thus either required to submit a receipt order themselves or may opt for the passive matching mechanism provided by KELER, under which KELER actually generates the settlement order in the name of and on behalf of the receiving Participant, provided that the settlement party initiates an FOP transfer in favour of the relevant receiving account. The orders of the transferor and recipient clients are thus subject to an actual matching process.

A securities sub-account level flag, which can be set by the main account holder at the time of opening the sub-account (or later), is required to generate a receiving side order.

If the order of the transferor client has been successfully accepted and contains the number of the receiving securities account, KELER will generate the receipt order with the same main data and parameters as in the order of the transferor participant.

If the Participant allows automatic transfer receipt on its central securities account, it automatically accepts the following conditions:

- The transfer receipt order is automatically generated in a released state, the hold indicator cannot be modified by the Participant receiving the securities.
- The generated receipt order cannot be cancelled by the receiving Participant. Cancellation may occur if the order of the transferor client has not yet been fulfilled and it initiates cancellation.

- If the receiving party's account number was not provided in the transferor client's order, i.e. only the matching BIC identifies the receiving participant, the order will not be formed for the receiving participant. The transaction can only be executed by submitting the receiving participant's order after successful matching.
- The partial settlement indicator in the receipt order is always set to the same value as the order of the transferor party. For example, if the transferor party has enabled partial settlement with the 'PART' indicator, the transaction may be settled in instalments, as the receiving party's order will also be set to 'PART'. The partial settlement indicator of the recipient's order cannot be modified.
- In the case of linked FOP transfers, the automatic reception transfer generation is not provided by KELER. It is the Participant's responsibility to submit the appropriate orders.
- If the transferor client submits the order after the scheduled settlement date specified in the order, the receiving Participant bears the risk of and is liable to pay any cash penalties (LMFP) incurred due to late matching and settlement fail.
- KELER applies a different fee for the settlement of automatically generated orders.

7. Hold and release mechanism

Settlement orders can be submitted in release or hold status. If an order is submitted as held, its settlement is blocked, but these orders are still included in the matching process. The release of a held order for settlement allows the settlement of the pending settlement order that has been blocked until then.

Switching between states requires the submission of settlement condition modification orders. The Participants may submit settlement condition modification messages as often as justified, with no limit on the number and direction of the changes.

KELER always returns the value of the hold indicator indicating the current hold/release status of the order in the form corresponding to the given message standard via the status messages.

Settlement condition modifications to orders submitted by KELER CCP may be initiated by the KELER CCP. In addition to the submitting party, the Participants concerned may also initiate the withdrawal of settlement orders submitted by the BSE with KELER before the start of the mandatory buy-in process.

The hold-release statuses of settlement orders submitted by the WARP system (KELER) can be modified independently by the Participants concerned via the WARP interface.

Settlement conditon modification orders can be processed within the business day.

8. Verification of cover and settlement

The settlement is considered final in KELER when the cash and securities debit and credit entries related to the order are posted in the respective cash and securities accounts.

In the case of settlement orders that do not involve the movement of cash, the securities account is also booked immediately after the order is queued and if the securities are covered.

In the case of settlement orders involving the movement of cash (DVP, repo), the cash-side cover is verified and settled after the securities cover has been verified and provisionally blocked, following which the securities are unblocked and booked in the securities accounts.

Depending on the currency of the transaction, the place of the cash account management and the T2S relevance of the transaction, the place of cash settlement for settlement orders involving the movement of cash or cash-only settlement orders (PFODs) may be the KELER cash account management system, the MNB or T2S.

If partial settlement is allowed in a transaction (by both parties), the transaction is settled by debiting the available balance on the seller's securities account with the corresponding pro-rata cash settlement. In this case, the transaction is deemed to be partially settled until settlement of the full quantity of securities in the original order. In both KELER and T2S, orders are settled on a gross basis.

If the place of settlement of the transaction is T2S, KELER blocks the securities or cash before sending the order to T2S by checking the parameters for this purpose. If the blocking is possible on the securities or cash account, the system performs it without delay after successful cover verification. If the cover verification is unsuccessful, the order is not sent to T2S.

Future dated settlement orders are sent to T2S at the close of day on the business day (ISD-1) preceding the scheduled settlement date for the night time settlement cycle, and the cover verification is part of this process. If the cover verification is unsuccessful, the order is recycled in the daytime settlement cycle and is then transmitted to T2S after the necessary cover has been provided.

9. Priority and queue management

Settlement or blocking instructions with securities debiting received in the settlement system may be executed if there is adequate coverage. However, if there is insufficient coverage on a particular securities account, for a given security, the transactions will be on hold and executed in a specific order as soon as the securities credit is received on the account. This queue is called a securities queue, which is recorded by the settlement system for securities account - for ISIN combinations per business day.

Queued transactions are processed in the order specified below:

1. **Transaction priority:** The transaction type-dependent priority assigned by KELER first of all determines the order of priority between transactions for the same securities account and securities. The priority transaction types include: settlement of penalties (PAIR), orders submitted by KELER CCP (MTNS, PDSS), beneficiary blocking and release for collateral purposes. Transaction priority cannot be changed by the client.

2. **Client priority:** in addition to the transaction priority, transactions are associated with a client priority, which can be defined and modified by the ordering client in the submitted message.

KELER harmonises the number of client priorities (0-9) with the priorities established by T2S and available to Clients (0003-0004), where 0003 is the high priority and 0004 is the normal priority. (For values other than priority 0003 or 0004, the instruction is rejected.)

If the value of the field is not specified by the client, the order priority is given as the default value (0004) after receipt. For transactions with the same transaction priority, the order is decided by the client priority. The Client priority can be specified in both the seller's and the buyer's side instructions, however, only the seller's side (determining the securities account debiting) priority is taken into account in the queue processing.

3. **Timestamp of receipt:** If the transaction and the client priority are the same for several instructions, the processing order is determined by the timestamp of the settlement order receipt: According to the FIFO principle, the earliest received order can be debited first.

In each case, KELER will attempt to process the order with highest transaction and Client priority received at the earliest, that is first in the queue. Where the order listed first may be settled, the cover verification moves to the next order in the queue.

If there is insufficient cover to settle the total quantity of securities in the order, partial settlement may be considered, depending on whether partial settlement was allowed (by both parties) for the order:

- if partial settlement is allowed, the system will perform partial settlement on the seller side up to the amount of the available securities balance in the first partial settlement window, or
- if partial settlement is not allowed, the order cannot be executed and is therefore queued, and the orders further down the queue in relation to the securities account and the securities are not executed.

The queue created can be 'released' as follows:

- providing the security cover required for settlement of the order standing first in the queue,
- changing the seller side Client priority of the order standing first in the queue to a lower priority, or
- changing the seller side Client priority of a order standing later in the queue to a higher priority,
- suspending or deleting the order standing first in the queue.
- allowing partial settlement of the order at the front of the queue by sending a status change message

Settlement orders involving money flow (e.g. DVP transaction), priority change of the seller side instruction results in the change of security only.

10. Client priority change

KELER assures its Clients that they can change the priority of the settlement orders submitted by them (except for blocking orders) in the securities processing queue until they successfully reserve or cancel the coverage. The change of the instruction can be initiated in an MT530 or sese.030 message via the original order submission channel (SWIFT or KID) of the party submitting the original

order. Clients are reminded that only one instruction can be executed per settlement condition modification message. Multiple functions (hold-release, priority modification, or modification of the partial settlement indicator) in one message are not interpreted and such orders will be rejected.

Priority modification continues not to apply to the cash queue and to buyer side securities transaction priority modification. If the transaction is subject to cover verification and a related priority modification order is received, the system will reject it. However, the hold functionality can apply to instruction with lack of cash, and bilateral cancellation can be submitted.

It is possible to submit messages regarding the priority change outside the KELER operating time assigned to the given transaction type, but also within the given business day (the technical processing period). KELER forwards the status messages related to the execution or rejection of these orders to its clients prior to the closing of the business day.

The KELER priority values used by KELER to determine the settlement order for each type of transaction are determined by the following rows used in queue management:

Transaction priority	Transaction type	Transaction name
01	DVP_MTNS	DVP_MTNS - Settlement procedure for Multinet failed quantity
01	DVP_PDSS	DVP_PDSS - FISZER
01	PFOD_MTNS	PFOD_MTNS - Settlement instruction without movement of securities for the cash settlement of a multinet transaction
01	PFOD_PAIR	PFOD_PAIR - Settlement instruction without movement of securities for settlement of a penalty
01	FOP_MTNS	FOP_MTNS - Multinet securities transfer (FOP)
01	ZAR_KEDVKOLL	ZAR_KEDVKOLL - Blocking and release of beneficiary securities for collateral purposes (bilateral, trilateral)
01	ZAR_KEDVMNB	ZAR_KEDVMNB - Securities blocking and release due to beneficiary credit card and cash limit
02	DVP_BSEA	DVP_BSEA – BSE Auction
02	DVP_BSEF	DVP_BSEF – BSE Fix (and non-cleared) trades
03	DVP_PRMT	DVP_PRMT – Primary market transactions
03	DVP_TRAD	DVP_TRAD – DVP
03	PFOD_TRAD	PFOD_TRAD - DVP without securities movement
03	FOP_OWNI	FOP_OWNI - Securities transfer (intra-BP)
03	FOP_TRAD	FOP_TRAD - FOP securities transfer
04	DVP_REDM	DVP_REDM - Investment fund mark down, DVP
04	DVP_SUBS	DVP_SUBS - Investment fund top up, DVP
04	FOP_REDM	FOP_REDM - Investment fund mark down FOP
04	FOP_SUBS	FOP_SUBS – Investment fund top-up, FOP

Transaction priority	Transaction type	Transaction name
05	REPO_SZALL	REPO_SZALL - Delivery REPO initial leg and expiring leg
06	FOP_CBTR	FOP_CBTR - Simplified Cross border transfer
07	ZAR_EGYOLD	ZAR_EGYOLD - Unilateral securities blocking and release
07	ZAR_EGYUTT	ZAR_EGYUTT - Joint blocking and release of securities
07	ZAR_KEDVEGYEB	ZAR_KEDVEGYEB - Beneficiary securities blocking and release (bilateral, trilateral)

11. Partial settlement

KELER ensures partial settlement as an optional service both in its own system and on the T2S platform.

KELER (or T2S) can use the cover available on the securities account of the selling counterparty in part instead of the full amount of securities stated in the settlement order and can make interim settlement based on the instruction of the order submitting client, by recycling the transaction for the remaining securities quantity (difference between the full and the partial quantity) until necessary cover is available.

KELER attempts to perform partial settlement at times pre-defined on the settlement date, in line with the applicable schedule. Partial settlement may take place in the following time windows:

- 08:00 - 08:15
- 10:00 - 10:15
- 12:00 - 12:15
- 14:00 - 14:15
- 15:30 - 15:45
- 17:00 - 17:15

It is mandatory to populate the partial settlement indicator in the instructions submitted to KELER (PART or NPAR). If at least one of the parties has an 'NPAR' code in the order, partial settlement is not possible.

The system takes into account the values of the settlement multiplier and the minimum settlement quantity stored in the master data of the security when performing partial settlement. Accordingly, the quantity of securities to be partially settled may only be equal to or greater than the number of units/nominal of the settlement multiple multiplied by the integer of the units/nominal and the minimum settlement quantity.

For DVP-type orders, the system proportions the cash amount to be settled in each partial settlement based on the matched settlement amount relating to the total settlement amount of securities and initiates settlement with the different settlement systems on this calculated cash amount.

Partial settlement may take place under the following conditions:

- Both of the settlement parties authorise partial settlement, i.e. they have indicated their intention to do so in their order (with the code word PART) or have requested that the partial settlement indicator be set to PART by means of a status change order. If none of the counterparties requested partial settlement, then KELER attempts settlement for the full securities cover, as currently. (In the case of pre-matched orders, the party submitting the order shall determine the value of the partial settlement indicator itself, which shall be applied to both participants concerned.)
- The partial settlement window is open during the business day.
- The order has already passed all the steps prior to cover verification, i.e. it is accepted, matched, the intended settlement date has arrived, it is within the settlement operating time, both parties' orders are in a released state and the relevant sell order is at the top of the securities processing queue.
- In the case of DVP-type orders, the buyer is required to have the calculated cash cover at least for the amount of securities to be partially settled. If the buyer cannot provide the cash cover for the consideration of the partially available and potentially settleable amount of seller securities, the system shall release the previously blocked securities in the seller's account and the system shall next attempt partial settlement only when a credit entry is received against the seller's securities queue and the partial settlement window is open again. (If a credit entry is made to the seller's account within the same partial settlement window in which the partial settlement previously failed due to the buyer's lack of cash cover, the system will repeat the partial settlement in that window, sometimes more than once.)

Partial settlement is not possible in the following cases:

- Linked FOP transfers,
- PFOD type transactions,
- Repo transactions,
- Investment unit top-up (SUBS) and mark down (REDM) (FOP and DVP)
- Blocking, release of blocking,
- In the case of 'self-trade', i.e. when the seller and buyer securities accounts are the same

12. Recycling (reiteration)

For all failed settlement orders, KELER ensures recycling beyond the intended settlement date, thus attempting settlement repeatedly and continuously.

KELER recycles the matched orders for 60 business days after the intended settlement date or the last status change, or until the bilateral cancellation of the settlement parties or until the maturity of the security.

Unmatched orders are recycled for 20 business days after the intended settlement date, or if the intended settlement date is a past date, the date of receipt or the last status change, after which the settlement system automatically cancels the unmatched orders.

Blockings cannot be recycled beyond the intended settlement date, so these orders are given the status 'Cancelled by the system'.

13. Settlement order cancellation

Settlement instructions can be cancelled until transaction settlement as follows:

- Unmatched or orders sent in already matched mode (transfers within the main account, orders submitted by KELER or KELER CCP) with unilateral cancellation, based on the cancellation instruction of the party submitting the original order
- Already matched orders submitted by BSE may be cancelled on the basis of a joint cancellation instruction from the two participants concerned. The Participants concerned may initiate the cancellation of such orders by submitting a form.
- FOP reception transfers generated by KELER based on the transferring client's cancellation instructions
- transactions successfully matched by KELER or T2S with bilateral cancellation
- The cancellation of settlement orders submitted by the WARP system can be initiated via the system interface either unilaterally or bilaterally, depending on the matching status.

KELER checks if the instruction the client wishes to cancel exists in the system and also if cancellation is possible. If the instruction is already in a settled or cancelled status, the cancellation will be rejected.

The cancellation of a settlement order may also be initiated by the party on the communication channel through the original order was submitted. (Except for BSE fix price and auction trades.)

Cancellation can be initiated using MT54x (CANC function) or sese.020 messages, referring to the client reference of the original settlement order, via the original order submission channel. For a successfully received cancellation order, three messages can be sent: one status message for the original order; one response to the cancellation instruction; and, if an allegement has been sent to the counterparty previously, a cancellation message for that allegement will also be sent.

In the case of bilateral cancellation, the cancellation instruction will be matched also. In the case of cancellation by one of the parties, the counterparty will be sent a status message (with IPRC//CPRC code), however, the transaction takes part in settlement (and can also be settled) until the other counterparty submits cancellation. The unmatched cancellation request is linked with the transaction to be cancelled and is recycled with it until the transaction is given a final status.

To avoid settlement, we recommend that the order is placed in a hold status and that the cancellation request is only submitted after the settlement order has been successfully placed in a hold status. However, if the cancellation instruction is not received from both parties by the time of settlement and the original transaction is fulfilled, the two parties will be notified in the form of a confirmation and, simultaneously, the system will reject the unilaterally received cancellation request.

The settlement system may also cancel the order in the following cases:

- Unmatched instructions are cancelled automatically on the 20th settlement day after the intended settlement date or the date of the last status change, whichever occurs later. In the sese.024 status message the CXLR (End of Life), in the MT548 message the EXPI (Expired) reason code notifies the client of the cancellation.
- In the case of matched orders, the system automatically cancels the orders on the scheduled settlement day, or on the 60th settlement day following the date of the last status change. In the sese.024 status message the CXLR (End of Life), in the MT548 message the EXPI (Expired) reason code notifies the clients of the cancellation.
- The settlement system re-validates the master data in the instruction at each step of the processing process and during the closing of each business day. If it finds invalid data, the given order is cancelled by the system (in matched cases, together with its match). The status message is sent with the CANS reason code, and the narrative fields contain the error messages for the failed validation rules.

14. Hold and release mechanism

Settlement orders can be submitted in Release or Hold status. If the order is submitted in hold status, its settlement will be blocked, however, these orders will also be involved in the matching process. By modifying an instruction in hold status, the settlement of the instruction can be initiated by release. System participants may send hold or release settlement condition modification messages as often as justified, with no limit on the number and direction of modifications. There are several ways to change the hold/release status:

If the original order was received in a MT540/541/542/543 message:

- In the same MT54x message, the hold/release status can be set by entering the message function (23G) (NEWM and PREA)
- In the MT530 message with the Hold Indicator (22F NPRE and YPRE) 25
- If the original order was received in a sese.023 message (from KID): with a sese.030 message, it can be changed by specifying the desired value (true/false) of SctiesSttlmCondsModReq/ReqDtls/HldInd/Ind.

KELER always returns the value of the hold indicator indicating the current hold/release status of the order in the form corresponding to the given standard via the status messages.

Multiple functions (hold-release, priority modification, or modification of the partial settlement indicator) in one message are not allowed and such orders will be rejected.

Changes in the status of orders initiated by KELER CCP may be initiated by the submitting party.

Status changes to orders initiated by the BSE may be initiated by the Participants concerned by means of a form (in the case of holding at the end of the settlement grace period).

The hold/release indicator of WARP-generated settlement orders can also be changed by the affected client via the WARP interface. In the future, the submission of hold/release messages will be possible outside the KELER operating time assigned to the given transaction type, but also within

the given business day (in the technical processing period). KELER forwards the status messages related to the execution or rejection of these orders to its clients prior to the closing of the business day.

15. Rules related to T2S settlement

15.1. Scope of securities that can be settled in T2S

KELER makes the following securities issued in Hungary available in the T2S system:

- From BSE-listed securities:
  – premium shares
  – government bonds
  – mortgage bonds
- government bonds and mortgage bonds issued privately, in EUR
- all securities for which a transaction must be submitted to T2S for settlement.

If a security is not in the T2S database at the time of order entry, KELER will immediately ensure that the master data of the security are recorded in T2S. In addition, the advance recording of the data of a specific ISIN code in T2S by KELER can be requested using the form published on the KELER website.

15.2. Transaction types

By default, KELER keeps the securities positions of its Clients registered in KELER in a consolidated manner using an omnibus account in the T2S system.

The range of securities transactions that can be settled on the T2S omnibus securities account are DVP-type orders in EUR

- Securities Purchase and Sale (TRAD)
- Primary market transactions (KELR/PRMT)
- BSE fix transactions (KELR/BSEA)
- BSE auction transactions (KELR/BSEF)
- DVP initiated by Multinet default process (KELR/MTNS)
- Repos (REPU, RVPO)

All cash side settlements within T2S are performed in all T2S currencies, on DCAs (Dedicated Cash Accounts). In the case of transactions executed in T2S currencies (currently in EUR), KELER serves its Clients through its dedicated omnibus T2S cash account in T2S.

15.3. Finality of intra-CSD transactions settled in T2S currencies

The settlement of EUR DVP transactions between KELER participants takes place in central bank money in T2S. EUR DVP type transactions are settled in T2S as required by the ECB.

Both the receipt of instructions (settlement finality 1, SF1) and matching (SF2) are performed in KELER according to the mathcing criteria defined by KELER.

The conditions for sending T2S foreign currency DVP orders to KELER are the same as the general rules for settlement orders. No specific designation referring to T2S settlement is required.

The finality of the settlement (SF3) of DVP transactions to be settled in EUR is ensured by KELER, in accordance with the ECB's instructions, in the T2S system with the transmission of the settlement order matched by KELER to T2S.

If the cover verification by the KELER system is successful, the securities or/cash positions are blocked. Depending on the result of the cover verification and the due date of blocking, KELER sends only the covered orders to T2S in the CSD Released status.

In the case of the T2S matching fields listed below, KELER enters the following values in the order sent to T2S:

- original trade date and intended settlement date in the settlement order submitted by the participant
- central depository of the delivering/receiving party (place of settlement): KELER BIC code
- custodian of the delivering/receiving party: KELER BIC code
- account number of the of the delivering/receiving party: KELER omnibus T2S securities account number
- partial settlement indicator: NPAR (no partial settlement)
- common trade reference: BLANK (blank)
- opt-out indicator NOMC (no automatic market claim and transformation detection)
- ex/cum indicator: BLANK (blank)

KELER shall specify the identifiers of the settlement parties in the T2S order to ensure the clear identification of the transactions.

When a transaction is posted to T2S, our clients also receive the T2S reference (MITI) sent by T2S in the status messages.

15.4. Submission of settlement orders to be settled in T2S, provision of cash cover

KELER applies a specific acceptance deadline for EUR DVP settlements, which is set out in effective Depository Announcement 9-11 on the Cut-off times.

The EUR consideration to be used as cover for the T2S-related purchase transactions (RVP) can be provided through the following correspondent banks of KELER:

- Citibank N.A., London Branch
  BIC CITIGB2L a/c 14105877
- Societe Generale Securities Servicies (KELER's Payment Bank in T2S):
  BIC SOGEFRPP a/c 001016155410

The participant's cash account with KELER must be indicated in the transfer as the final beneficiary. The cash cover must be available on the participant's cash account within the settlement deadline in order to ensure a successful settlement.

16. Settlement orders that may be settled on Central Securities Accounts

16.1. FOP order

During a free of payment transaction KELER performs debits and credits related to a specific securities series on the central securities accounts, free of payment.

During settlements within KELER, an FOP type order may be used in the following cases:

- Securities transfers and linked securities transfers (TRAD)
- Intra-main account securities transfer/position settlement (OWNI)
- Daily top-up and mark down of investment fund units (SUBS, REDM),
- Multinet type settlements initiated by KELER CCP (KELR/MTNS)

16.2. DVP order

When executing a DVP that is 'Delivery versus Payment' order KELER completes a debit entry related to a specific securities series against crediting the counter value on a cash account kept with the MNB or with KELER. Debit and credit entries are made simultaneously. During settlements within KELER, a DVP type order should be used:

- Securities purchase and sale transactions (TRAD)
- Repo transactions, (REPU/RVPO)
- Primary market transactions (KELR/PRMT)
- BSE fix and non-cleared trades (KELR/BSEA)
- BSE auction trades (KELR/BSEF)
- Physical delivery of derivatives (KELR/PDSS),
- Multinet default transactions (KELR/MTNS) and
- Daily top-up and mark down of investment fund units (SUBS, REDM).

16.3. PFOD order

A Payment Free of Delivery order is a special type of DVP order in which a transfer of funds is made without movement of securities, given that the quantity of securities to be settled in the settlement order is zero.

During the processing of the order, KELER only checks the cash cover of the participant on the buy-side and, if cover is available, the order is executed immediately.

In the case of PFOD-type orders, since there is no securities-side cover verification, partial settlement is not considered.

KELER provides the possibility of PFOD settlement for the following orders:

- Securities Purchase and Sale (TRAD): Order that can be submitted by participants
- Penalty settlement (PAIR): An order that can only be initiated by KELER.

Budapest, 6 December 2021

KELER Ltd.