

The Association of Global Custodians - Questionnaire - Database

Hungary- KELER Ltd. - View Record

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Welcome to the Depository-Information Gathering Project.

Before beginning, we suggest that you:
 print the entire document for review on paper; review the Glossary of Terms.
 Each will assist you with answering the questions. For help, contact: Robin D. Truesdale, Baker & McKenzie LLP (202) 835-1664; e-mail: Robin.Truesdale@bakermckenzie.com.

Note

* When reviewing/updating your prior year's responses in the questionnaire, please ensure that the sub-questions are reviewed/updated as well.

* Please deselect/uncheck any responses in the sub-questions where those responses are no longer applicable.

* Please note: Any text in the "other" and/or "please explain/describe" questions should be deleted before deselecting the response. In this regard, note that deselecting a response with written text does not delete the information, it only hides the information from view.

* Any responses that appear in open text boxes should be deleted if the information is no longer applicable.

SCOPE, STRUCTURE, OWNERSHIP, CAPITAL, REGULATION AND AUDIT

The purpose of this section is to understand the ownership structure and financial strength of your institution, as well as the level of regulatory and operational supervision to which it is subject.

Response Necessary/Eligibility Question

1. Rule 17f-7, by reference to Rule 17f-4, requires that, for a depository to be eligible to hold securities of U.S. registered investment companies (such depositories hereinafter referred to as "Eligible Securities Depositories"), the depository must be a "system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities."

Are all securities of a particular class or series of any issuer that are deposited in your institution treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?

Yes

Response Necessary/Eligibility Question

2. Rule 17f-7 also requires that an Eligible Securities Depository "acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated," or "acts as or operates a transnational system for the central handling of securities or equivalent book-entries."

Does your institution: (Choose all that apply.)

Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated? (please answer 2b)

2b. Please specify the types of securities for which you act as or operate a system for the central handling of securities or equivalent book-entries:

Primarily publicly issued (dematerialized) securities and all non-publicly issued dematerialised securities.

3. What type of legal entity is the institution? (Choose all that apply.)

Private Company

4. Is the institution operated as a "for profit" or a "not for profit" organization?

For profit

5. Please provide the names of the owners and their ownership interest percentages.

National Bank of Hungary (NBH) - 53,33% Budapest Stock Exchange (BSE) - 46,67%

6. Please answer the following:

6a. What is the date of establishment of the depository?

12/Oct/1993

6b. What is the date that the depository's operations began?

12/Oct/1993

7. Under what regulation or statute is the depository established and governed?

Act CXX of 2001 on the Capital Market (Capital Market Act); Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (Credit Institutions Act); Act CXXXVIII of 2007 on Investment enterprises and service providers on the commodities exchange and the activities that they can undertake (Investment Firms Act); KELER General Business Rules; KELER CCP General Business Rules

7a. Is the regulation or statute electronically available?

Yes (please answer 7b)

7b. If regulation or statute is electronically available, please supply web address(es) here or upload document(s) in question 7c.

http://www.keler.hu/keler/keler_angol.head.page?nodeid=1233

http://www.kelerkszf.hu/kelerkszf/kelerkszf_angol.head.page?nodeid=337

Act CCXXXVII of 2013 on Credit Institutions

7c. Please supply document(s) here: Act CXX of 2001 on the Capital Market 2014
Act CXXXVIII of 2007 on Investment enterprises

KELER CCP General Business Rules

KELER General Business Rules

7d. Please provide details of the structure and composition of your Board together with their industry experience and responsibilities in governing the depository.

What are the qualifications to become a board member?

By law college degree or higher and professional experience are needed while criminal record or incompatibility of duties disqualify candidates.

7e. What are the election procedures?

Board members are elected at the General Meeting subject to approval by the supervisory authority, the National Bank of Hungary. The Board has seven members - two of them are appointed by National Bank of Hungary, two of them are appointed by Budapest Stock Exchange and two of them are inner members. The Board elects its chairman - the seventh member - from among its members.

7f. What is the maximum length of time a board member can serve?

Re-election is possible without limitation.

7g. How are the voting powers distributed amongst the board members (i.e. does each board member have one vote or do certain members have additional voting power)?

Each board member has one vote. In case of vote-equality, the vote of the chairman would be decisive.

7h. Who is responsible for regulating the board members?

Certain legislation, the company general meeting, and the supervisory authority, the National Bank of Hungary are all in a sense responsible for regulating Board members. For the purpose of supervision of the Board the General Meeting elects the Supervisory Board.

Response Necessary/Eligibility Question

8. Rule 17f-7 requires that an Eligible Securities Depository “is regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act”, with section 2(a)(50) establishing that “foreign financial regulatory authority’ means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above.”

Who regulates the activities of the depository? (Choose all that apply.)

A governmental body or regulatory organization empowered to administer or enforce laws related to securities matters.

9. Please provide the name of regulatory authority(ies) identified in question 8:

The National Bank of Hungary

Response Necessary/Eligibility Question

10. Rule 17f-7 requires that an Eligible Securities Depository “is subject to periodic examination by regulatory authorities or independent accountants.”

Is the depository subject to periodic examination by: (Choose all that apply.)

Regulatory authorities?, Independent accountants?

11. What enforcement actions are available to the regulatory authority(ies) for breach of applicable statute or regulatory requirements? (Choose all that apply.)**Name of Authority #1 (please answer 11a):**

The National Bank of Hungary

11a.

Fines, Restrictions on depository activities., Suspension of depository activities., Termination of depository activities.

Name of Authority #2 (please answer 11c):**11c.****12. Has there been any use of such enforcement actions in the last three years?**

No

Capital**13. Are annual financial statements publicly disclosed?**

Yes (please answer 13a)

13a. If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?

Yes (please answer 13b)

KELER Annual Report 2013

13b. If yes, please upload the document(s) here or insert web link(s) in question 13d:

13c. If more than one document for 13b, please upload the additional document here:

13d. Please insert web link(s) for 13b here:

http://www.keler.hu/keler/keler_angol.head.page?nodeid=182

Internal Audit**14. Is an internal audit undertaken in your depository?**

Yes (please answer 14a)

14a. If yes, what areas does the audit cover (financials, operations, etc.) and which department in your depository handles it?

The audits of internal audit department cover IT, financial, operations, security and all other functions of the depository.

14b. Please list the date of your last internal audit:

13/Nov/2014

Please list the period that the audit covered:

02/Jan/2014

to

10/Oct/2014

14c. How frequently does the internal audit occur? (Choose one.)

Two or more times a year (please answer 14e)

14e. Are the results of the internal audit publicly available?

No

14f. Please select the statement that most accurately characterizes the results of the last internal audit: (Choose one.)

Minor exceptions found. (please answer 14g)

14g. If minor or material exceptions were found, what actions were taken? Please describe:

Action plan was prepared containing the findings, proposed measures, responsible departments and deadlines.

15. Is a financial audit performed by an Audit Firm, Regulatory Authority, or other external party?

Yes (please answer 15a)

15a. If yes, please state the name(s) of the entity(ies) who perform the financial audit.

The National Bank of Hungary, KPMG Hungary Ltd

15b. Please list the date of your last financial audit performed by an Audit Firm, Regulatory Authority, or other external party:

08/Dec/2014

15c. Please list the period that the audit covered:

01/Jan/2014

to

31/Oct/2014

15d. How frequently does the financial audit occur? (Choose one.)

Annually (please answer 15f)

15f. Are the results of the financial audit publicly available?

Yes

15g. Please select the statement that most accurately characterizes the results of the last financial audit: (Choose one.)

No material exceptions found.

16. Is an operational audit performed by an Audit Firm, Regulatory Authority, or other external party?

Yes (please answer 16a)

16a. If yes, please state the name(s) of the entity(ies) who perform the operational audit.

The National Bank of Hungary, KPMG Hungary Ltd

16b. Please list the date of your last operational audit performed by an Audit Firm, Regulatory Authority, or other external party:

11/Jul/2014

16c. Please list the period that the audit covered:

03/Jun/2014

to

23/Jun/2014

16d. How frequently does the operational audit occur? (Choose one.)

Annually (please answer 16f)

16f. Are the results of the operational audit publicly available?

No

16g. Please select the statement that most accurately characterizes the results of the last operational audit: (Choose one.)

Minor exceptions found. (please answer 16h)

16h. If minor or material exceptions were found, what actions were taken? Please describe:

Action plan was prepared containing the findings, proposed measures, responsible departments and deadlines.

PARTICIPANTS AND PARTICIPATION

The purpose of this section is to understand issues relating to participation in the depository, including eligibility requirements, conditions of participation, and supervision of participants.

17. What types of entities are eligible to become participants and how many of each type are there currently? (Choose all that apply.)

Banks (please answer 17a), Brokers (please answer 17e), Foreign Institutions (please answer 17m), Other entities (please answer 17q)

17a. How many Bank participants are there currently? (then please answer 17b)

50

17b. Please select the features included in the eligibility requirements for Banks. (Choose all that apply.)

Financial Thresholds (please answer 17c), Regulatory Oversight (please answer 17c), Other (please answer 17d)

17c. Where can a description of the specific eligibility requirements for Bank participants be found?

Capital Market Act, KELER General Business Rules, KELER CCP General Business Rules (all of them can be downloaded at question 7c)

17d. Please explain:

Financial Thresholds apply to (CCP) clearing members only.

17e. How many Broker participants are there currently? (then please answer 17f)

19

17f. Please select the features included in the eligibility requirements for Brokers. (Choose all that apply.)

Financial Thresholds (please answer 17g), Regulatory Oversight (please answer 17g), Other (please answer 17h)

17g. Where can a description of the specific eligibility requirements for Broker participants be found?

Capital Market Act, KELER General Business Rules, KELER CCP General Business Rules (all of them can be downloaded at question 7c)

17h. If other, please explain:

Financial Thresholds apply to (CCP) clearing members only.

17m. How many Foreign Institution participants are there currently?

18

17n. Please select the features included in the eligibility requirements for Foreign Institution participants. (Choose all that apply.)

Financial Thresholds (please answer 17o), Regulatory Oversight (please answer 17o), Other (please answer 17p)

17o. Where can a description of the specific eligibility requirements for Foreign Institution participants be found?

Capital Market Act, KELER General Business Rules, KELER CCP General Business Rules (all of them can be downloaded at question 7c)

17p. If other, please explain:

Financial Thresholds apply to (CCP) clearing members only.

17q. If you have selected "Other entities" above, please explain:

Others include Issuers, State Debt Management Agency, National Bank of Hungary, State Treasury, Specialized Financial Institutions, Fund Managers, Stock Exchange, Investment Enterprise, and Commodities exchange service provider

17r. Indicate how many "Other entities" are currently participants?

68

17s. Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". (Choose all that apply.)

Financial Thresholds (please answer 17t), Regulatory Oversight (please answer 17t), Other (please answer 17u)

17t. Where can a description of the specific eligibility requirements for participants described above as "Other entities" be found?

Capital Market Act, KELER General Business Rules, KELER CCP General Business Rules (all of them can be downloaded at question 7c)

17u. If other, please explain:

Financial Thresholds apply to (CCP) clearing members only.

18. Are participants required to contribute capital to the depository that would result in ownership of the depository?

No

19. Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements?

Yes

Conditions of Participation

20. What governs the relationship between the depository and the participants? (Choose all that apply.)

Relevant law and regulation, Standard participation contract, Established terms and conditions of participation, Rules of the depository

Response Necessary/Eligibility Question

21. Rule 17f-7 requires that an Eligible Securities Depository “holds assets for the custodian that participates in the system on behalf of the Fund under safekeeping conditions no less favorable than the conditions that apply to other participants.”

Please confirm that assets of foreign investors held by custodians as participants in the depository are held under safekeeping conditions no less favorable than the conditions that apply to other participants.

Yes (please answer 21b)

21b. Please confirm the basis for the arrangements in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. (Choose all that apply.)

Relevant Law and Regulation (please answer 21d)

21d. For each item in Question 21b that you checked, please briefly supply references or citations to the law(s), regulation(s), or depository rule(s), participation condition(s), or participant contract provision(s), as applicable.

Section 350/B(4) of Act CXX of 2001 on Capital Market declares: „The standard service agreements and other internal regulations of the central depository must ensure compliance with the principle of equal treatment.”

22. How does the depository notify participants of material changes to the conditions of participation? (Choose all that apply.)

By e-mail, By public announcement, By press release, Other (please answer 22a)

22a. Please explain:

Via KELER's proprietary communication system, the official website of the Hungarian authority for announcement purposes (www.kozzetetelek.hu) and KELER's website (www.keler.hu).

Governance of Participants**23. Who enforces compliance with the depository's conditions of participation? (Choose all that apply.)**

The depository, The exchange, The depository's regulator

24. What enforcement actions are available to the enforcement authority? (Choose all that apply.)

Fines, Restrictions on participation, Suspension of participation, Termination of participation

25. Has there been any such enforcement actions in the last three years?

Yes (please answer 25a)

25a. If yes, please explain, including information relative to any suspensions of depository participants:

Defaults in the CCP system of KELER CCP, or non-compliance with reporting obligations occur every once in a while and result in fines and temporary suspensions.

DEPOSITORY FUNCTIONALITY AND SERVICES; USE OF AGENTS

Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution.

26. For which of the following security types do you serve as a depository or clearing system? (Choose all that apply.)

Government securities, Equities, Corporate bonds, Others (please answer 26a)

26a. Please name the other security types:

Investment Fund Share, Venture Fund Note, Central Bank Bond, ETF, Certificate, Compensation Note, Mortgage Bond, Convertible Bond, Futures, Options

27. Is the use of the depository in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). (Choose all that apply.)

Yes by law for settlement, but not for all instrument types (please answer 27a)

27a. Please list the instrument types for which it is not compulsory by law to:

(i) settle in your depository:

Non-dematerialized securities eg. equities issued by private limited companies, OTC money market instruments, OTC warrants, OTC derivatives

(ii) safekeep in your depository:

Non-dematerialized securities eg. equities issued by private limited companies, OTC money market instruments, OTC warrants, OTC derivatives

28. Settlement and Safekeeping Percentages

28a. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) settled within your institution, exclusive of your links with third parties.

By law 100% of dematerialized securities are administered by KELER.

28b. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) held in safekeeping within your institution.

By law 100% of dematerialized securities are administered by KELER.

29. Are there any activities performed by a third party on behalf of the depository for the depository participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)?

Yes (please answer 29a)

29a. If third parties are employed, please indicate which services they supply (then please answer 29b):

Some services in connection with custody of non-dematerialized securities.

29b. If third parties are employed, does the depository assume liability for losses incurred by participants as a result of the actions/inactions of the third parties?

Yes (please answer 29c)

29c. If you acknowledge responsibility, please indicate whether your responsibility is assumed (Choose all that apply.)

regardless of whether such loss was caused by any action or inaction of the agent (please answer 29d)

29d. If you acknowledge responsibility for agents, your responsibility is assumed for losses (Choose all that apply.)

which are not consequential losses

30. Has any participant suffered any losses in the past three years due to the depository's performance?

No

Other Services

31. Who accepts cash deposits (or makes payment credit accommodations) for depository transactions? (Choose all that apply.)

Depository, Central Bank, Banks appointed by depository (please answer 31a)

31a. Please name banks:

UniCredit Bank Hungary Ltd.

32. Who processes cash clearing (or draws on credit lines, if applicable) for depository transactions? (Choose all that apply.)

Depository, Central Bank

33. Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)? (Choose all that apply.)

Depository, Central Bank, Banks appointed by depository (please answer 33a)

33a. Please name banks appointed by depository:

UniCredit Bank Hungary Ltd.

34. Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)? (Choose all that apply.)

Depository, Central Bank

35. Please indicate services you provide. (Choose all that apply.)

Information in advance on corporate (annual or special) meetings in order that owners can vote., Tax assistance where foreign holders may be entitled to tax relief at source or through a claim., In order to avoid fails, an automatic securities lending facility - if requested - is provided for. (please answer 35a), Collateral handling in support of activities including securities lending, overdraft coverage, cash management, repurchase agreements, etc. Please provide details. (please answer 35c), Same day turnaround settlements., Other (please answer 35d)

35a. Automatic securities lending facility is provided for: (Choose all that apply.)

Brokers, Banks

35c. Collateral Handling: please provide details:

KELER Ltd. handles collateral assets for the below reasons: -for KELER CCP, -Cash financing transactions to support settlement are also subject to collateral from the participant. -Securities and/or cash for SLB transactions -In addition, KELER handles collateral for the Central Bank to back credit lines.

35d. If other services, please explain:

NOTE: Tax assistance applies only in case when the non-domestic custodian of foreign holder is direct client of KELER. OTHER SERVICES: 1.Cross-border settlement and custody 2. Share Registrar and paying agent services

36. What procedures are in place for the processing of corporate action entitlements? (Choose all that apply.)

Credited to the securities account upon actual receipt by the depository., Corporate action entitlements are handled by an entity separate from the depository. (please answer 36c)

36c. Name of entity:

Securities distribution is the responsibility of the issuer based on record date positions provided by KELER and payment details provided by the investor. Paying agent is appointed by the issuer. In case of reorganisations, the entitlements are credited to the CSD participants' securities accounts by KELER.

37. What procedures are in place for the processing of interest and dividends?(Choose all that apply.)

Credited to the cash account upon actual receipt by the depository., Income and dividend collection is handled by an entity separate from the depository. (please answer 37c)

37c. Name of entity:

Cash distributions are the responsibility of the issuer based on record date positions provided by KELER and payment details provided by the investor. Paying agent is appointed by the issuer. KELER provides paying agent services.

Linkages With Other Central Securities Depositories (CSD) or International Central Securities Depositories (ICSD)

38. Please list all depositories or settlement systems to which you have an electronic link.

Clearstream Banking Luxembourg; Clearstream Banking Frankfurt (for XETRA settlement); OEKB; KDPW; SIX SIS, European Commodity Clearing AG (for Hungarian Organized Power Market - HUPX settlement)

39. Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason?

Yes (please answer 39a)

39a. Please explain:

KELER prepared its formalized Business Continuity Plan (BCP) with consultancy and quality assurance from KPMG Hungary Ltd. in 2003. With the preparation of the BCP KELER had the following goals: - To ensure the continuity of business operations in case of undesirable events. - In case of any disruption in normal business operations, to resume operations within the shortest possible time at the lowest possible cost. The cornerstone of our BCP is the in-depth analysis of the potential risk factors and their possible effects on the operation of the company, based on which the critical business processes and their supporting resources were defined. In order to manage extensive crisis situations, a back-up site was set up in 2004, which serves as an alternative site for operations and an alternative workplace for staff if the operations can not be continued at the prior site. Data are replicated real-time in the back-up site. Business Continuity Plan (BCP) ensures the expected business continuity in case of incidents, partial stops or crisis. In the event that KELER is unable to provide the service supported by alternative means in accordance with its BCP or in case the Clients' co-operation is required KELER notifies Clients without delay. KELER communicates updates primarily via e-mail to both network management and operations contacts. The latest BCP-Disaster Recovery Plan (DRP) testing of KELER's back-up site workstations and most of its business processes was carried out by KELER in March 2014. The real life disaster recovery test was carried out successfully, clients were using KELER's services without any problems and the test did not substantially influence day-to-day operations.

40. Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason?

Yes

ACCOUNT STRUCTURES AND RECORDKEEPING

The purpose of this section is to identify the nature of accounts; the naming convention is employed, the level of segregation achieved, accessibility in the event of bankruptcy and the frequency of reporting generated from them.

41. Are participants permitted to maintain more than one account at the depository?

Yes (please answer 41a)

41a. If yes, please indicate number: (Choose one.)

Other (e.g. subaccounts) (please answer 41c)

41c. If other, please explain:

Participants may open separate main securities accounts for different activities (e.g. treasury vs custody). In addition, participants can open an unlimited number of securities subaccounts.

42. Are participants required/permited to segregate assets held for their own benefit from those they hold for their clients?

Yes (please answer 42a)

42a. If yes, is segregation required or simply permitted?

Required (please answer 42b)

42b. How does segregation occur? (Choose all that apply.)

By separately designated participant accounts., By sub-accounts within a single participant account.

43. Does the depository permit its participants to open accounts in the participant's own nominee name (s)?

Other (please answer 43b)

43b. If other, please explain:

Main accounts within KELER must be in the participants' own name, however a nominee name can be applied to any underlying subaccount. Laws exist to acknowledge the rights of beneficial owners with respect to shares registered in a nominee name.

44. In the event a participant's single or main account is blocked for any reason (e.g., insolvency, penalties, violations, liens), would securities held in any account or accounts on behalf of the participant's clients be accessible?

44a. By the participant's clients?

No

44d. By the intervening authorities controlling insolvency or other proceedings?

Yes (please answer 44e)

44e. If yes, please describe briefly under what conditions access would be granted to the intervening authorities:

The competent authority ordering the blocking of the account may grant access upon strict rules and the decision of the court.

44g. By the participant's creditors?

No

44j. By the depository's creditors?

No

45. In what form does the depository maintain records identifying the assets of each participant? (Choose all that apply. Please refer to "Help" for clarification.)

Computer file (please answer 45b), Other (please answer 45a)

45a. If other, please explain:

CD, daily

45b. In which format is the source data maintained?

prn file format on CD

Response Necessary/Eligibility Question

46. Rule 17f-7 requires that an Eligible Securities Depository "provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account."

Does the depository make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?

Yes (please answer 46b)

46b. If yes, please indicate the scheduled frequency: (Choose one.)

Other (please answer 46c)

46c. If other, please explain:

Based on the type of transaction/report, automatically in real-time, upon request in real-time and at the end of the day.

47. What is your document and record retention policy for documents and records described above in this section? (Choose one.)

5 years

SETTLEMENTS

The purpose of this section is to identify the model of settlement employed, the relationship between cash and securities, and the basis on which participants meet their obligations.

48. The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble (Please refer to details on the models within the "Help" section located below this question): (Choose all that apply.)

Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. (please answer 48a), Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. (please answer 48a)

48a. Please briefly describe your settlement process, including how your settlement procedures may vary from the model chosen above (and as described below in the Help section)?

No difference from standard models. Note: Model 1 for off-exchange settlements, Model 3 for on-exchange cash market settlements

Question 48 Help:

Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds simultaneously on a trade-by-trade (gross) basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) occurring at the same time as final transfer of funds from the buyer to the seller (payment). The securities settlement system maintains securities accounts and funds accounts for participants. Transfer of securities and cash are made by book-entry.

Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. These systems settle securities transfer instructions on a trade-for-trade (gross) basis, with final transfer of securities from the seller to the buyer (delivery) occurring throughout the processing cycle, but settle funds transfer instruction on a net basis, with final transfer of funds from the buyer to the seller (payment) occurring at the end of the processing cycle.

The securities settlement system maintains securities accounts for participants, but funds accounts are usually held by another entity (often a commercial bank or the central bank). Securities are transferred by book-entry, such transfer being final at the instant the entries are made on the securities settlement system's books. The corresponding funds transfers are irrevocable, but not final. During the processing cycle, the system calculates running balances of funds debits and credits, the balance being settled at the end of the processing cycle when the net debit and net credit positions are posted on the books of the commercial bank or central bank that maintains the funds accounts. Settlement of funds accounts may occur once a day or several times a day.

Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day. The securities settlement system maintains securities accounts for participants. Funds accounts may be maintained by another entity, either a commercial bank or the central bank.

During a processing cycle, running balances of debits and credits to funds and securities accounts are calculated. All funds and securities transfers are provisional until the end of the processing cycle, at which time book-entry transfer of securities take place. If and only if all participants have sufficient balances of funds and securities, final transfers of the net securities balances and net funds balances are executed.

49. Are the cash and security movements simultaneous?

Yes

OWNERSHIP OF SECURITIES

The purpose of this section is to determine how ownership of securities is represented, the ways the depository maintains ownership or control of securities held in the depository, and the extent to which ownership of assets held by the depository is separated from the proprietary assets of the depository.

This section also considers the process by which the ownership of securities is transferred in the depository and the existence of any liens or claims on the depository securities (such as a clearing lien) that would affect the ownership of depository securities.

50. How are depository eligible securities held by the depository?

Securities in the depository are held in dematerialized form., Securities in the depository are held in certificated form.

51. If depository eligible securities are certificated, can depository eligible securities be held outside of the depository?

Securities may move freely into and out of the depository. (please answer 51h)

51h. If depository eligible securities may be held either in or out of the depository, are these certificates:

Registered (please answer 51i)

51i. What are the control features for receipt of certificates to the depository (e.g., authentication procedures, re-registration)? Please describe:

By taking the opportunity provided for in Section 352/A of Act CXX of 2001 on the Capital Market as of 1 January, 2010 KELER Ltd. outsourced a part of the general depository activity (safekeeping and certain partial custody tasks). From this date ERSTE Bank Hungary Ltd. (ERSTE Bank) undertakes the outsourced activity according to the instructions of KELER Ltd. The outsourcing did not change the legal relationship between the individual account holders and KELER and does not affect the performance of contractual obligations undertaken by KELER or the liability of KELER. Requests on securities deliveries in and out related to safekeeping and other requests and orders related to physical securities continue to be managed by KELER. Participants must inform KELER before deliveries. For securities delivered to ERSTE Bank the delivering party is required to issue a delivery report, securities are to be put in a package that is to be closed in line with banking standards. Usually the professional transport company used by ERSTE Bank collects the securities from the participants at their depository. The professional transport company delivers securities directly to the vault area. ERSTE Bank acknowledges receipt of the package by signing the delivery report. ERSTE Bank notifies KELER about the delivery of the securities after a detailed check. After the notification the securities are credited by KELER to the requested account or sub-account.

52. If securities are dematerialized:

May dematerialized security positions be re-certificated and held outside the depository?

No (please answer 52a)

52a. Are the securities held: (Choose all that apply.)

Through book-entry at the depository

52d. If the securities held by the depository are recorded by book entry at the registrar, are the securities registered only to the depository, with the depository providing the function of recording ownership on a centralized basis for the market? (Choose all that apply.)

52i. If the securities held with the depository are recorded by book-entry at the registrar, what are the control features at the registrar for transfer of registrar positions to and from the depository (e.g., authentication procedures, reconciliation, confirmation of position at registrar)? Please describe:

Response Necessary/Eligibility Question

53. Rule 17f-7 requires that an Eligible Securities Depository "maintains records that identify the assets of each participant and segregate the system's own assets from the assets of participants."

Does the depository maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants?

Yes

54. Does the law protect participant assets from claims and liabilities of the depository?

Yes

55. Can the depository assess a lien on participant accounts? (A lien would entitle the depository to take and hold or sell the securities of the participant in payment of a debt.)

Yes (please answer 55a)

55a. If yes, for what reasons are liens or similar claims imposed? (Choose all that apply.)

Fees and expenses, Collateralization of overdrafts

55c. Please indicate the limits of this lien as indicated below: (Choose one.)

The lien is limited to securities in the course of purchase and sale transactions, but does not extend to settled positions.

55e. If a lien is placed on a participant's account which has been designated for its clients, will the depository select certain securities to be subject to the lien?

No (please answer 55h)

55h. If no, please indicate whether the entire account will be subject to the lien.

Other (please answer 55i)

55i. If other, please describe:

The lien will be placed to the proprietary account.

55j. For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts?

Yes (please answer 55k)

55k. If yes, are the restrictions accomplished by:

Contract between the depository and the participant

56. Transfer of Legal Ownership

Does the depository have legal authority to transfer title to securities?

Yes (please answer 56a)

56a. When does title or entitlement to depository securities pass between participants? (Choose one.)

When the transaction is processed on an intra-day basis. (please answer 56c)

56c. Where does title or entitlement to depository securities pass between participants? (Choose one.)

On the depository books

Datasheet Progress

Part 1 Completed