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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 and 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**\* Please deselect/uncheck any responses in the sub-questions where those responses are no longer applicable.**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**\* Any responses that appear in open text boxes should be deleted if the information is no longer applicable.**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**

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*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

**1a. Please explain:**

**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)

**2a. Please explain:**

**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

**3a. Please explain:**

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

For profit

**4a. If other, please explain:**

**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 Firms and Commodity Dealers, and on the Regulations Governing their Activities (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.**

<https://english.keler.hu/Key%20documents/Regulatory%20documents/General%20Business%20Rules/>  
<https://english.kelerkszf.hu/Key%20documents/Regulatory%20documents/General%20Business%20Rules/>

**7c. Please supply document(s) here:**

Act CCXXXVII of 2013 on Credit Institutions effective 2015.12.31  
Act CXX of 2001 on the Capital Market effective 2015\_12\_31.pdf  
Act CXXXVIII of 2007 on Investment Firms effective 2015.12.31  
KELER CCP General Business Rules 2015  
KELER General Business Rules 2015

**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.

**8a. Please explain:**

**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?

**10a. Please explain:**

**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.

**11b. Please explain:**

Name of Authority #2 (please answer 11c):

11c.

11d. Please explain:

12. Has there been any use of such enforcement actions in the last three years?

No

12a. If yes or other, please explain:

### **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 2014

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:

<https://english.keler.hu/Key%20documents/Financial%20Reports/Annual%20Reports/>

13e. If no, and annual report and/or financial statements are not disclosed, please state your share capital, reserves, and retained earnings (or equivalents as determined under local accounting standards).

Share Capital (then please answer 13f):

13f. Reserves (then please answer 13g):

13g. Retained Earnings:

13h. If other, please explain:

### **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:**

25/Sep/2015

**Please list the period that the audit covered:**

01/Jan/2015

**to**

15/Sep/2015

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

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

**14d. If less than annually, please explain:**

**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:**

23/Jul/2015

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

01/Jan/2014

**to**

31/Dec/2014

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

Annually (please answer 15f)

**15e. If less than annually, please explain:**

**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.

**15h. If minor or material exceptions were found, what actions were taken? Please describe:**

**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:**

30/Sep/2015

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

30/Jun/2012

**to**

13/Jan/2015

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

Annually (please answer 16f)

**16e. If less than annually, please explain:**

**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**

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*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)**

49

**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.

**17i. How many Individual participants are there currently? (then please answer 17j)**

**17j. Please select the features included in the eligibility requirements for Individual participants. (Choose all that apply.)**

**17k. Where can a description of the specific eligibility requirements for Individual participants be found?**

**17l. If other, please explain:**

**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 commodities exchange service provider, investment fund manager, issuer, stock exchange, organization performing clearing house activity, participant of an organized market as provided for in law, organization performing central depository activity, central counterparty, the Hungarian State, the institution managing the estate of the Hungarian State, The Central Bank of Hungary, National Deposit Insurance Fund, Investor Protection Fund, payment institution, electronic money institution.

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

63

**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

**18a. If yes, what fixed amount is required or what formula is used to determine the appropriate contribution level?**

**18b. If other, please explain:**

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

Yes

**19a. If other, please explain:**

**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

**20a. Please explain:**

**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)

**21a. If no, other or not applicable, please explain:**

**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)

**21c. Please explain:**



**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

**23a. Please explain:**

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

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

**24a. Please explain:**

**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.

**25b. If other, please explain:**

### **DEPOSITORY FUNCTIONALITY AND SERVICES; USE OF AGENTS**

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*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.*

### **General**

**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

**27b. Please list the instrument types for which it is not compulsory by market practice to:**

**(i) settle in your depository**

**(ii) safekeep in your depository:**

**27c. If neither/other, please explain:**

**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

**29e. If other, please explain:**

**29f. Please specify limit:**

29g. Please specify limit:

29h. If other, please explain:

29i. If other, please explain:

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

No

30a. If yes, please select all of the following in which loss has occurred. You will be prompted to enter the number of instances and total loss in USD thereafter. (Choose all that apply.)

30b. Corporate Action. Please specify number of instances:

30c. Corporate Action. Please specify total loss in USD:

30d. Settlement Process - Securities. Please specify number of instances:

30e. Settlement Process - Securities. Please specify total loss in USD:

30f. Settlement Process - Cash. Please specify number of instances:

30g. Settlement Process - Cash. Please specify total loss in USD:

30h. System Outage. Please specify number of instances:

30i. System Outage. Please specify total loss in USD:

30j. If Other, please explain:

30k. For Other, please specify number of instances:

30l. For Other, please specify total loss in USD:

30m. If other, please explain:

#### **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.

31b. If neither/others, please explain:

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

Depository, Central Bank

**32a. Please name banks appointed by depository:**

**32b. If others, please explain:**

**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.

**33b. If others, please explain:**

**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

**34a. Please name banks appointed by depository:**

**34b. If others, please explain:**

**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

**35b. If other please explain:**

The automatic lending facility is available to all (CCP) clearing members who are brokers and 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)

**36a. Credited to the securities account: (Choose all that apply.)**

**36b. If other please explain:**

**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.

**36d. If other, please explain:**

**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)

**37a. Credited to the cash account: (Choose all that apply.)**

**37b. If other please explain:**

**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.

**37d. If other please explain:**

**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 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 on 25 September 2015. 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

**40a. If no or other, please explain:**

#### ACCOUNT STRUCTURES AND RECORDKEEPING

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*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.)**

More than one account (please answer 41b and indicate how many), Other (e.g. subaccounts) (please answer 41c)

**41b. If more than one account what is the maximum?**

Most of the participants have one main account (below that, they are able to segregate their assets by opening sub-accounts), some participants have opened two or three separate main securities accounts for different activities (e.g. treasury vs custody).

**41c. If other, please explain:**

Participants can open an unlimited number of securities subaccounts.

**41d. If other, please explain:**

**42. Are participants required/permitted 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.

**42c. If other, please explain:**

**42d. If other, please explain:**

**42e. If other, please explain:**

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

Other (please answer 43b)

**43a. If yes, do laws exist, which define as well as protect the rights of beneficial owners with respect to securities registered in nominee name?**

**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

**44b. If yes, please describe briefly how clients of participants would access their securities and whether there would be any delay in their ability to do so:**

**44c. If other, please explain:**

**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.

**44f. If other, please explain:**

**44g. By the participant's creditors?**

No

**44h. If yes, please describe briefly under what conditions access would be granted to the participant's creditors:**

**44i. If other, please explain:**

**44j. By the depository's creditors?**

No

**44k. If yes, please describe briefly under what conditions access would be granted to the depository's creditors:**

**44l. If other, please explain:**

**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)

**46a. If no or other, please explain:**

**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

**47a. If other, please explain:**

## SETTLEMENTS

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*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

**48b. If other, please explain:**

### **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.*

**49. Are the cash and security movements simultaneous?**

Yes

**49a. If cash and security movements are not simultaneous, please indicate the duration of the timing gap. (Choose one.)**

**49b. If other, please explain:**

**49c. If other, please explain:**

**OWNERSHIP OF SECURITIES**

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*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.*

**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.

**50a. If other, please explain and identify amount held in this other form as a percentage of total depository holdings:**

**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)

**51a. If certain designated securities are held outside the depository, please indicate under which conditions these securities would be held outside the depository:**

**51b. If depository eligible securities are required to be centrally immobilized at the depository, where and with whom are the certificates safekept? (then please answer 51c)**

**51c. Are these certificates:**

**51d. If registered, how are the depository eligible securities registered?**

**51e. If other, please describe:**

**51f. If in the name of a separate nominee, please identify by name the nominee used:**

**51g. If other, please explain:**

**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.

**51j. If other, please explain:**

**51k. If other, please explain:**

**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

**52b. Please identify which types of entities may act as registrars: (Choose all that apply.)**

**52c. Please explain:**

**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.)**

**52e. If yes, how are securities held at the registrar for the account of the depository? (Choose one.)**

**52f. Please describe:**

**52g. If the securities held with the depository are recorded by book-entry at the registrar but are not registered exclusively to the depository, may they be registered to:**

**52h. Please describe:**

**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:**

**52j. If other, please explain:**

**52k. If other, please explain:**

52l. If other, please explain:

**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

53a. If other, please explain:

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

Yes

54a. If other, please explain:

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

55b. Please describe:

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.

55d. Please explain:

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)

55f. If yes, please indicate whether: (Choose one.)

55g. Please explain:

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

**55l. Please explain:**

**55m. If other, please explain:**

**55n. If other, please explain:**

**55o. If other, please explain:**

**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)

**56b. Please describe:**

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

On the depository books

**56d. Please describe:**

**56e. If other, please explain:**

#### **HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT**

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*The purpose of this section is to consider the process (and any risk inherent within such a process) that involves the safekeeping of client assets while they are being removed from a depository and being lodged into a depository.*

**57. How are eligible securities lodged (that is, placed) in the depository system? (Choose all that apply.)**

Other (please answer 57a)

**57a. Please describe:**

All participants must deliver the securities to the depository with a blank endorsement in order to comply with fungibility requirements.

**58. When are securities lodged into the depository reflected in a participant's depository account? (Choose all that apply.)**

Other (please answer 58a)

**58a. Please explain:**

Normally on the same day. After delivering securities to Erste Bank, there is a checking process. Securities will be credited to the requested account (or sub-account) strictly after this well done process and the notification of KELER sent by Erste Bank. Normally it can be done on the same day. In case of any anomalies demanding repeated checking, the reflection will may be done only on the next day.

**59. How long does it usually take to lodge securities with the depository? (Choose one.)**

1 to 2 days

**59a. Please specify:**

**59b. If other, please explain:**

**60. During the process of lodging securities into the depository, can the securities:**

**Be traded?**

Other (please answer 60c)

**60a. During the process of lodging securities into the depository, can the securities:**

**Be settled?**

Other (please answer 60d)

**60b. During the process of lodging securities into the depository, can the securities:**

**Have ownership transferred?**

Other (please answer 60e)

**60c. If they cannot be traded, or if you answered other, please explain:**

Trading in KELER is possible after Erste Bank notifies KELER about the lodgement and KELER credits the security to the requested account.

**60d. If they cannot be settled, or if you answered other, please explain:**

Settlement in KELER is possible after Erste Bank notifies KELER about the lodgement and KELER credits the security to the requested account.

**60e. If ownership cannot be transferred, or if you answered other, please explain:**

Ownership transfer in KELER is possible after Erste Bank notifies KELER about the lodgement and KELER credits the security to the requested account.

**61. Are securities immediately available for delivery upon transfer to the depository?**

Other (please answer 61d)

**61a. If no: Securities are unavailable for:**

**61b. If more than 4 weeks, please specify:**

**61c. If other, please explain:**

**61d. If other, please explain:**

Securities are available for transfer after Erste Bank notifies KELER about the lodgement and KELER credits the security to the requested account.

**62. Please describe briefly the arrangements/procedures/facilities you maintain to ensure that eligible securities held at the depository are handled at least as efficiently as compared to securities held outside the depository, particularly in relation to income, corporate actions and proxy services.**

After the physical security is credited by KELER to the requested account the treatment of the security is the same as the dematerialised securities. All physical securities are booked to securities account, income and corporate action services are provided upon the data recorded in KELER's systems. At the instruction of the issuer KELER undertakes to complete coupon cutting, in case of securities without coupon stamping corresponding to coupon cutting related to payment of dividend, yield and interest and to annul and destroy securities and coupons.

**63. What transfer process steps are involved when eligible securities are withdrawn from the depository for safekeeping? (Choose one.)**

Securities are transferred as is any physical delivery in the market.

**63a. Please specify:**

**64. How long does it usually take to remove securities from the depository? (Choose one.)**

1 to 2 days

**64a. Please specify:**

**64b. If other, please explain:**

**65. While the securities are being removed from the depository, can they:**

**65a. Be traded? (Choose one)**

Other (please answer 65b)

**65b. Please explain:**

Trading in KELER is not possible after Erste Bank notifies KELER about the removal and KELER debits the account.

**65c. Be settled?**

Other (please answer 65d)

**65d. Please explain:**

Settlement in KELER is not possible after Erste Bank notifies KELER about the removal and KELER debits the account.

**65e. Have ownership transferred?**

Other (please answer 65f)

**65f. Please explain:**

Ownership transfer in KELER is not possible after Erste Bank notifies KELER about the removal and KELER debits the account.

**STANDARD OF CARE**

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*The purpose of this section is to understand the responsibility and liability that the depository has in providing services to its participants/members in the settlement and clearing of securities and/or cash, and to understand what type of protections exist for participants in the event of a participant failure/default.*

**Depository Liability**

**66. Does the depository accept liability (independent of any insurance coverage) for the following:**

**66a. Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants?**

Yes (please answer 66b)

**66b. If yes, please check all of the following that apply:**

The depository assumes liability for direct losses

**66c. If other, please explain:**

**66d. If other, please explain:**

**66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository that result in direct damages or losses to participants?**

Yes (please answer 66f)

**66f. If yes, please check all of the following that apply:**

The depository assumes liability for direct losses

**66g. If other, please explain:**

**66h. If other, please explain:**

**66i. Failure of the depository's systems that result in direct damages or losses to participants because they cannot use either securities or funds?**

Yes (please answer 66j)

**66j. If yes, please check all of the following that apply:**

The depository assumes liability for direct losses

**66k. If other, please explain:**

**66l. If other, please explain:**

**66m. Any direct damages or losses to participants caused by the depository due to its errors, omissions or fraud?**

Yes (please answer 66n)

**66n. If yes, please check all of the following that apply:**

The depository assumes liability for direct losses

**66o. If other, please explain:**

**66p. If other, please explain:**

**66q. Any direct damages or losses to participants caused by the depository in its capacity as a central counterparty?**

Other (please answer 66t)

**66r. If yes, please check all of the following that apply:**

The depository assumes liability for direct losses

**66s. If other, please explain:**

**66t. If other, please explain:**

KELER CCP Ltd. (subsidiary of KELER) is the sole central counterparty regarding guaranteed Budapest Stock Exchange transactions and regarding guaranteed gas market transactions and power market obligations.

**66u. Does the depository guaranty settlement?**

Other (please answer 66w)

**66v. Please explain how this is accomplished. What are the procedures and safeguards that permit the depository to guaranty settlement?**

From 1 January, 2009, KELER CCP Ltd. (subsidiary of KELER) is the sole central counterparty regarding to guaranteed exchange traded transactions. Prior to this date, KELER operated as a CCP as well. The guarantee is supported by individual margins of clearing members, collective guarantee funds, KELER CCP's equity capital and the joint and several liability by KELER of HUF 12 billion.

**66w. If other, please explain:**

KELER CCP Ltd. (subsidiary of KELER) as central counterparty guarantees transactions concluded on the guaranteed markets of the Budapest Stock Exchange to its clients. The guarantee is supported by individual collateral of clearing members, collective guarantee funds and KELER CCP's assets.

**66x. Any direct damages or losses to participants caused by the depository as a result of force majeure events, acts of God, or political events, etc.?**

No

**66y. If yes, please check all of the following that apply:**

**66z. If other, please explain:**

**66~. If other, please explain:**

**66+. In all cases where the depository assumes responsibility for direct or indirect or consequential losses, is the depository's liability limited by a standard of care determination?**

Yes (please answer 66\*)

**66\*. Please define the standard of care applied:**

The depository shall repair direct pecuniary losses of its customers proved by proper evidence if such damages are attributable to and occurred in the operation of the depository. The depository is exempted from liability for any damages, pecuniary losses, lost profit or non-material damages that may occur beyond its operations based upon statutory provisions and/or its General Business Rules. The depository shall be relieved of liability if it is able to prove that it has acted in a manner that can generally be expected in the given situation.

**66!. If other, please explain:**

**67. Do the depository's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the depository in the form of?**

**67a. Indemnification**

No

**67b. Please explain (then please answer 67c):**

**67c. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

**67d. Insurance**

Yes (please answer 67e)



**67e. Please explain (then please answer 67f):**

Act CXX of 2001 on Capital Market

**67f. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

Section 340/A. (2) a); Section 340/B. f) of Act CXX of 2001 on Capital Market Please see question 7 documents uploaded.

**67g. Acknowledgement of liability for losses caused by depository's own actions.**

Yes (please answer 67h)

**67h. Please explain (then please answer 67i):**

General Business Rules of KELER Ltd. and KELER CCP Ltd. detail rules regarding acknowledgement of liability.

**67i. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

KELER General Business Rules 10.4. KELER CCP General Business Rules 11.4. Please see question 7 documents uploaded.

**67j. Other**

**67k. Please explain (then please answer 67l):**

**67l. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

**68. Is the depository immune from legal action in its own jurisdiction?**

No

**68a. If other, please explain:**

**Security Control**

**69. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? (Choose all that apply.)**

By direct electronic link, By receipt of physical account holding statements

**69a. Please explain:**

**70. Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?**

Yes (please answer 70a)

**70a. How is access given to participants? (Choose all that apply.)**

By direct electronic link (please answer 70b)

**70b. Please select type of electronic link:**

Secured, leased, dedicated telephone line, Internet, Fax

**70c. Please explain:**

**70d. If other, please explain:**

**71. Regarding data security:**

**71a. Are passwords used by participants to access their accounts?**

Yes

**71b. If other, please explain:**

**71c. Does each user have a unique user ID?**

Yes

**71d. If other, please explain:**

**71e. Are passwords regularly changed?**

Other (please answer 71g)

**71f. How often?**

**71g. If other, please explain:**

It is up to the policies and practices of the participants. KELER offers the possibility to change passwords but does not require them to be changed regularly.

**71h. Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?**

Yes (please answer 71i)

**71i. How many?**

3

**71j. If other, please explain:**

**72. Does the depository communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?**

Yes (please answer 72a)

**72a. Please explain:**

1. Exchange - leased line 2. Payment system - SWIFT 3. MTS-Hungary - SWIFT

**73. How does the depository communicate with other market entities?**

**73a. Stock Exchanges (Choose all that apply.)**

Secured, leased, dedicated telephone line

**73b. Payment Systems (Choose all that apply.)**

Secured, leased, dedicated telephone line

**73c. Clearing Houses (Choose all that apply.)**

Not applicable

**73d. Registrars (Choose all that apply.)**

Not applicable

**74. How is access to the physical building controlled? (Choose all that apply.)**

By guards, By electronic keys/personal ID card, By alarm system

**74a. Please explain:**

**75. What are the vault security procedures for the safekeeping of physical paper? (Choose all that apply.)**

Electronic keys/combinations, Dual access control, Visitor logs, Vault counts (please answer 75a), Intrusion alarms, Fire alarms, Guards, Other (please answer 75b)

**75a. Please indicate frequency of vault counts:**

Full inventory on a yearly basis. Random check of dedicated units weekly.

**75b. Please explain:**

The vault maintenance is outsourced to Erste Bank Hungary Ltd (see question 51i). Erste Bank is responsible for security in the vault. The vault of Erste Bank lies outside KELER's headquarters.

**Participant Default Protections Resulting from a Participant Failure**

**76. If a participant defaults, how is the loss covered? (Choose all that apply?)**

Not applicable

**76a. Please explain the process:**

**76b. Please explain the process of how the loss is shared: (Choose one.)**

Other (please answer 76c)

**76c. If other, please explain:**

The CCP within the KELER Group does have loss sharing mechanism and KELER Ltd. takes part in the CCP's default procedures as a CSD. However it does not guarantee any transactions and does not have own loss sharing mechanism.

**76d. Please explain:**

The loss is primarily covered by the individual collateral of the defaulting participant. Should the individual collateral be insufficient then the Collective Guarantee Fund is used. If still insufficient then KELER CCP's assets are used to cover the loss to the extent of HUF 200 million (USD 1 million). Should this amount be insufficient then the equity capital of KELER Ltd is used to cover the loss accordingly to the joint and several liability of KELER Ltd of HUF 12 billion (USD 56 million), the own capital of KELER exceeds this amount with approximately HUF 7 billion (USD 32 million). Should the joint and several liability be insufficient then the rest of the assets of KELER CCP Ltd is used to cover the loss. All guarantee elements apply to CCP guaranteed transactions only (Budapest Stock Exchange spot and derivatives, Hungarian Power Exchange day-ahead and physical futures, Hungarian daily natural gas and capacity trading market – day-ahead transactions).

**77. During the past three years, has there been a situation where a participant defaulted which resulted in a significant loss?**

No

**77a. How was the situation resolved? Or if you answered "Other," then please explain:**

**78. Does the depository have a guaranty fund independent of stock exchange or other market guarantees?**

Other (please answer 78l)

**78a. If yes, please respond to the following questions:**

**What is the size of the fund (then please answer 78b)?**

The collective guarantee funds are operated by KELER CCP Ltd. The size of the cash market fund is approximately USD 7 million. The size of the derivatives market fund is approximately USD 2.7 million. The size of the gas market fund is approximately USD 10.6 million.

**78b. How is the size of the fund determined? (Choose one.)**

By participant volume

**78c. If other, please explain:**

**78d. How is the fund financed? (Choose one.)**

Contributions from participants (please answer 78f)

**78e. If so, what is the amount or percentage per owner?**

**78f. If so, what is the amount or percentage per participant?**

The total size of the default funds are determined based on the results of stress tests – in line with EMIR requirements. The total size is then broken up between the clearing members proportionate to the risks, based on their average initial margin requirements. The minimum contribution is 5 million HUF, KELER CCP Ltd.'s contribution is 5 million HUF.

**78g. If other, please explain:**

**78h. Who is covered by the fund? (Choose all that apply.)**

Other (please answer 78i)

**78i. If other, please explain:**

General Clearing Members and Direct Clearing Members of KELER CCP

**78j. When is the guaranty fund used? (Choose all that apply.)**

Other (please answer 78k)

**78k. If other, please explain:**

When a general or a direct clearing member's default cannot be covered by the member's own individual collateral assets and KELER CCP's additional financial resources.

**78l. If other, please explain:**

The default funds are operated by KELER CCP Ltd.

**79. Does the depository have forms of oversight management for assessing and monitoring of the following? (Choose all that apply.)**

Participant eligibility requirements, Participant volumes, Participant financial strength, Collateral requirements for participants (please answer 79b), Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d), Blocking of securities movement before receipt of payment, Blocking payment until securities are moved

**79a. Please explain other loss or default protections:**

**79b. Please explain the requirements:**

KELER Ltd., the CSD collects collateral only in case of cash financing transactions to support settlement.

**79c. Please explain how these debit caps work:**

**79d. What type or types of settlement controls (Choose all that apply.)**

Simultaneous DVP (please answer 79g)

**79e. Please explain:**

**79f. Please explain:**

**79g. Please explain:**

Multilaterally netted positions (Budapest Stock Exchange spot, BSE MTS and MTS Hungary trades) are settled on a DVP basis in batch processing, other DVP transactions are executed in real-time environment on a gross basis.

**79h. Please identify and explain:**

**79i. Please explain briefly how these work:**

**80. Does the stock exchange have default protections that extend to the depository, such as the following? (Choose all that apply.)**

No

**80a. Please explain:**

## BUSINESS RECOVERY PLAN

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*This section is intended to identify key aspects of the depository's Business Recovery Plan (BRP), including testing requirements and past results, expected recovery time periods, and the independent review and validation (if any) of the BRP.*

**81. Do you have a formal business recovery plan?**

Yes (please answer 81a)

**81a. Does your Business Recovery Plan include: (Choose all that apply.)**

Back-up of all computer files, Off-site data storage, Back-up files stored and locked, Off-site operations facility

**81b. Please identify both the frequency and the last date of testing for the following third party:**

**Depository participants/members**

Live BCP test is carried out yearly. Last date: 25 September 2015 live testing of contingency infrastructure.

**81c. Please identify both the frequency and the last date of testing for the following third party:**

**Stock exchange**

Live BCP test is carried out yearly. Last date: 25 September 2015 live testing of contingency infrastructure.

**81d. Please identify both the frequency and the last date of testing for the following third party:**

**Central bank**

Live BCP test is carried out yearly. Last date: 25 September 2015 live testing of contingency infrastructure.

**81e. Please identify both the frequency and the last date of testing for the following third party:**

**Local brokers**

Live BCP test is carried out yearly. Last date: 25 September 2015 live testing of contingency infrastructure.

**81f. Please identify both the frequency and the last date of testing for the following third party:**

**Any other third party**

Live BCP test is carried out yearly. Last date: 25 September 2015 live testing of contingency infrastructure.

**81g. If other, please explain:**

**81h. If other, please explain:**

**82. How quickly can the main system be reactivated in the event of an outage? (Choose one.)**

1 - 4 hours, Other (please answer 82a)

**82a. If other, please explain:**

Depends on the situation. Electric failure: 1-2 minutes Server farm outage: 50-80 minutes Office (building) outage: 2 hours

**83. If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing? (Choose one.)**

1 - 4 hours

**83a. If other, please explain:**

**84. Will the depository publicly announce any system interruption?**

Yes (please answer 84a)

**84a. To whom will the depository disclose any system interruptions? (Choose all that apply.)**

To the depository regulators, To all direct participants, Other (please answer 84d)

**84b. If so, please list webpage address:**

**84c. If so, please list all publications:**

**84d. Please explain:**

Budapest Stock Exchange

**84e. How will the depository disclose any system interruptions? (Choose all that apply.)**

By e-mail, By telephone, Other (please answer 84f)

**84f. Please explain:**

Via KELER's proprietary communication system.

**84g. If other, please explain:**

**85. In the past three years, has it been necessary to activate the recovery plan in a live situation?**

Yes (please answer 85a)

**85a. If yes, how much time was needed to implement the recovery plan? (Choose one.)**

Less than 1 hour (please answer 85b)

**85b. How much time was needed to recover and restore business to normal operations? (Choose one.)**

4 - 8 hours (please answer 85c)

**85c. What was the impact to the market? (Choose all that apply.)**

All securities settlements took place as scheduled on the same day with good value, All cash settlements took place as scheduled on the same day with good value

**85d. If other, please explain:**

**85e. If other, please explain:**

#### PERFORMANCE, INSURANCE, AND LOSS

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*This section is intended to identify the level of insurance maintained by the depository, and the extent to which coverage would extend to financial loss incurred by participants and their clients, including but not limited to losses resulting from operating performance, security breaches, and employee negligence or misconduct.*

**86. Has there been any material loss by the depository during the past three years?**

No

**86a. If there has been a loss, please describe the cause, the final impact and the action taken to prevent a recurrence:**

**86b. If other, please explain:**

**87. Has the depository been subject to any litigation involving a participant during the past three years?**

No

**87a. Please explain the circumstances and resolution:**

**87b. If other, please explain:**

**88. Has the depository realized revenues sufficient to cover expenses during the past three years? (Choose one.)**

Yes for all three years

**88a. If other, please explain:**

**89. Does the depository maintain a reserve for operating losses?**

Yes (please answer 89a)

**89a. Please describe and indicate reserve amount:**

Based on audited data of financial year 2012, 2013 and 2014, capital requirement for operational risk under pillar I. is approximately USD 3,6 million (USD/HUF exchange rate at 31 December 2014: 259,13).

**89b. If other, please explain:**

**90. Has the regulatory body with oversight responsibility for the depository issued public notice that the depository is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?**

No

**90a. Please describe:**

**90b. In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the depository?**

**90c. If yes, please describe:**

**90d. If no, why not?**

**90e. If other, please explain:**

**90f. If other, please explain:**

**91. Does the depository have insurance to cover losses in the event of Default on settlement commitments by the depository or a participant?**

No

**91a. What is the amount of the coverage?**

**91b. What is the amount of the deductible?**

**91c. If other, please explain:**

**92. Does the depository have Fidelity insurance (that is, insurance to cover loss of securities or money resulting, for example, from acts such as forgery, theft, fraud and/or employee dishonesty)?**

No

**92a. What is the amount of the coverage?**

**92b. What is the amount of the deductible?**

**92c. If other, please explain:**

**93. Does the depository have insurance for Operational Errors?**

No

**93a. What is the amount of the coverage?**

**93b. What is the amount of the deductible?**

**93c. If other, please explain:**

**94. Does the depository have Errors and Omissions insurance?**



Yes (please answer 94a)

**94a. What is the amount of the coverage?**

Professional liability insurance, coverage: HUF 100 million per event and 150 million per year

**94b. What is the amount of the deductible?**

HUF 5 Million each and every loss.

**94c. If other, please explain:**

**95. Does the depository have insurance for the Premises?**

Yes (please answer 95a)

**95a. What is the amount of the coverage?**

Third party liability insurance including tenants liability. 20 million HUF per incident and 50 million HUF per year.

**95b. What is the amount of the deductible?**

50 thousand HUF per incident.

**95c. If other, please explain:**

**96. Does the depository have any other insurance?**

Yes (please answer 96a)

**96a. If so, what is it for?**

1. Property insurance including robbery 2. Employers liability 3. Chief officers liability insurance

**96b. What is the amount of the coverage?**

1. 871,2 million HUF aggregate 2. 10 million HUF per incident and 20 million HUF per year 3. 2 billion HUF per incident and 2 billion HUF per year

**96c. What is the amount of the deductible?**

1. 0.1-1 million HUF depending on the type of property and type of incident (natural vs. robbery) 2. 50 thousand HUF per incident 3. 1%, but min. 1,5 million HUF

**96d. If other, please explain:**

**97. Who is the insurance carrier? If more than one insurance carrier, please list each carrier here and provide your responses to questions 97a and 97b in corresponding order.**

Allianz Hungaria Ins. Co.

**97a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)**

Allianz Versicherungs AG, Germany

**97b. What is the term of the policy?**

1.1.2015. - 31.12.2015. both days inclusive, except Chief Officers liability insurance: 1.5.2015. – 30.4.2016.

**97c. Who does the insurance cover? (Choose all that apply.)**

Other (please answer 97d)

**97d. If other, please identify:**

KELER is the Central Depository. The insurance covers the institution. KELER CCP has separate insurance coverage.

**98. If you feel that you would like to provide additional details on any of the given answers, feel free to provide any additional comments here (maximum of 5,000 characters) or prepare an additional document identifying the question(s) you are commenting on and upload the document under 98a:**

**98a. Upload document here:**

PUBLIC AVAILABILITY

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**99. The AGC encourages respondents/depositories to make their answers to this questionnaire publicly available. Will you be making your response publicly available? (For additional guidance, please review the help feature to this question.)**

Yes (please answer 99a)

Question 99 Help: The AGC suggests that you consider making your completed questionnaire available to the public - either in response to requests or, if possible, by posting it on a web site. The information provided in response to the questionnaire will be used by the member banks of the Association in compiling Rule 17f-7 risk analyses and may also be furnished by members to U.S. investment companies. The information may also be furnished to other types of institutional investors, or to other parties who have an interest in the securities markets of various countries. However, the Association does not intend to release questionnaire responses directly to the general public. (For these reasons, the members of the Association cannot assure that responses will be treated as confidential or that responses will not become public.)

**99a. If yes, how will you be making it publicly available: (Choose all that apply.)**

Web site (please answer 99b), By individual request with depository (please answer 99c)

**99b. Please provide web site address of publicly available questionnaire:**

<https://english.keler.hu/Key%20documents/Questionnaires/>

**99c. Please provide name of contact at depository who has been designated to receive such requests (then please answer 99d).**

Mr. Gabor Szentpeteri, Senior Client Relations Manager

**99d. How would they prefer to be contacted? (Choose all that apply.)**

Telephone (please answer 99e), By e-mail (please answer 99h)

**99e. Please provide telephone number:**

+3614836275

**99f. Please provide facsimile number:**

**99g. What is the preferred street address for mailing requests?**

**99h. What is the preferred e-mail address for such requests:**

szepteteri.gabor@keler.hu

**99i. If other, please describe how you will be making the questionnaire publicly available:**

**100. Association members from time to time receive requests from their direct investor-clients for an informational copy of a depository's completed questionnaire. Such requests typically lead to interactions between personnel at the depository in question and member personnel or client personnel, or both. Those interactions take time and impose costs on both members and depositories.**

**Do you approve of Association members delivering a copy of your completed questionnaire to the member's direct client in response to the client's request?**

Yes

**Please provide any comments you have regarding the questionnaire.**

From 1 January, 2009 KELER CCP Ltd. (subsidiary of KELER) is the sole central counterparty in Hungary. Until that time KELER provided both CSD and CCP services. From 1 January 2013, KELER CCP provides clearing services for the guaranteed Hungarian markets, until that time KELER provided such services. This way KELER CCP became a fully fledged clearinghouse. KELER Group provides clearing, settlement and guarantee taking services for the Hungarian market. In July 2016, KELER replaces its CSD system, and introduces Tata Consultancy Services' BaNCS system. In September 2016, KELER will join Target2-Securities. These changes might result in changes in the answers provided, which will be reflected in the next year's Association of Global Custodians Questionnaire.

**You have reached the end of the questionnaire. Please be sure your contact details are updated. Your contact information is located in the first section of Part One within this questionnaire.**

**Please also be sure to print your responses and review them prior to changing Datasheet Progress to "Completed" under Part Two. (To print, select the printer friendly link at the top of the questionnaire.) When you are prepared to submit your answers, please return to Part One and Part Two of the questionnaire and change Datasheet Progress to "Completed". The members of The Association of Global Custodians thank you for your time and for your helpful response.**