

# KELER Ltd. General Business Rules

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**TABLE OF CONTENTS**

<b>I.</b>	<b>List of expressions and abbreviations used in the Rules, their definition....</b>	<b>6</b>
<b>I.</b>	<b>Introductory provisions.....</b>	<b>25</b>
<b>II.</b>	<b>General Provisions.....</b>	<b>27</b>
2.1.	The Clients of KELER.....	28
2.2.	Services of KELER .....	29
2.2.1.	List of Services .....	29
2.2.2.	Restrictions relating to individual activities (services) .....	29
2.2.3.	Establishing settlement days and period of operation .....	30
2.3.	Account contracts .....	30
2.3.1.	Conditions of account opening .....	31
2.4.	Account segregation .....	33
2.5.	Disposal over the account .....	33
2.6.	Suspension of the right of disposal over the account.....	36
2.7.	Termination of accounts maintained by KELER .....	36
2.7.1.	Cases of account termination .....	36
2.7.2.	Precondition for termination of an account .....	36
2.7.3.	Termination of the account contract .....	37
2.8.	Handling liabilities towards and receivables from KELER.....	37
2.8.1.	Handling liabilities towards KELER .....	37
2.8.2.	General rules for the settlement of Account Holder receivables .....	38
2.9.	Obligation of cooperation, notifications.....	39
2.9.1.	Obligation of cooperation .....	39
2.9.2.	Notification by KELER .....	39
2.9.3.	Notification by the Client .....	40
2.10.	Account statements, transaction confirmations .....	41
2.10.1.	General rule of account statements .....	41
2.10.2.	Special rules of sending account statement .....	41
2.10.3.	Payment account and securities accounts .....	41
2.11.	Electronic communication client relationship systems (KID, SWIFT, online services) ...	42
2.11.1.	Operation of the KID system .....	42
2.11.2.	Messages in line with KELER SWIFT Rule Book .....	43
2.11.3.	Services that can be accessed via the Internet .....	43
2.11.4.	Access to T2S services: ICP connectivity, DCP connectivity .....	43
2.12.	Right of control of KELER regarding the electronic client relationship systems.....	43
<b>III.</b>	<b>Central depository operation.....</b>	<b>44</b>
3.1.	The central depository activities .....	44
3.2.	Allocation of ISIN identifier.....	44
3.3.	Central register of securities: .....	45
3.3.1.	Scope of securities registered .....	45
3.3.2.	Registration of securities issued in Hungary .....	45
3.3.3.	Central register of securities forbidden and declared invalid .....	46
3.3.4.	Records in T2S of securities issued in Hungary .....	46
3.4.	Services related to dematerialized securities .....	46
3.4.1.	General rules .....	47
3.4.2.	Central securities accounts .....	48
3.4.3.	Methods of executing demat events.....	48
3.4.4.	Groups of services related to dematerialized securities .....	49

3.4.5.	Invalidation of the dematerialized certificate	55
3.4.7.	Management of investment fund units	56
<b>IV.</b>	<b>General depository operation</b>	<b>59</b>
4.1.	Custody of physical securities	59
4.1.1.	Fungible custody of securities issued in Hungary	59
4.1.2.	Custody of securities issued abroad	59
4.1.3.	Delivering securities for fungible custody to the Depository	59
4.1.4.	Procedure in case of securities suspected to be falsified	60
4.1.5.	Crediting of the securities received	60
4.1.6.	Procedure in case of securities subject to destroying (stoppage) by a notary public	60
4.1.7.	Procedure in case of securities declared invalid by a notary public	61
4.1.8.	Handling of securities declared invalid by the issuer	61
4.1.9.	Procedure for handling documents attached to securities	62
4.1.10.	Release of securities	62
4.1.11.	Fungible safekeeping	62
4.1.12.	Individual custody of securities, warehouse warrants issued in Hungary and foreign physical securities	63
4.2.	Depository services related to dematerialized securities issued in Hungary and physical securities kept in fungible custody at KELER	63
4.2.1.	Services provided by the Depository	63
4.2.2.	Rules relating to the record date of corporate events involving payment	63
4.2.3.	Rules of payment of securities in fungible custody	64
4.2.4.	Management corporate actions related to securities recorded in the T2S system	64
4.3.	Physical invalidation and destroying of physical securities and coupons	64
4.3.1.	Invalidation of physical securities and coupons	64
4.3.2.	Destroying physical securities and coupons	64
4.3.3.	Invalidating and destroying physical securities and coupons in case of termination of the issuer	64
4.4.	Handling invalid securities	65
4.4.1.	Handling securities that became invalid due to the termination of the issuer	65
<b>V.</b>	<b>Maintenance of bank and securities accounts by KELER</b>	<b>66</b>
5.1.	Management of orders	66
5.1.1.	Receipt of orders	66
5.1.2.	Withdrawal of the order	66
5.1.3.	Finality of orders	66
5.2.	The sequence of fulfilling orders	67
5.2.1.	Rules defining sequence of fulfillment	67
5.2.2.	Priority and queue management	67
5.2.3.	Batch processing	68
5.3.	Securities account	68
5.4.	Securities operations performed on the securities accounts	69
5.4.1.	Value date of the order	69
5.4.2.	Securities account transfer	70
5.4.3.	Blocking on the securities account	72
5.5.	Special rules on maintaining payment accounts in HUF	76
5.5.1.	Methods of payment	76
5.5.2.	HUF payment transactions executed by KELER	76
5.5.3.	Details required to execute payment orders	77
5.5.4.	Rejecting a payment order	77
5.5.5.	Special rules relating to the HUF deposit sub-account maintained for the issuer and the distributor	77
5.5.5.1.	Special rules relating to issuer deposit sub-accounts opened for the consideration of non-accepted dematerialized securities in case of dematerialized conversion	78
5.6.	Teller transactions	79

5.7.	Management of foreign exchange accounts.....	79
5.7.1.	Transaction types recorded on foreign exchange accounts	79
5.7.2.	General provisions for debit/credit entries on foreign exchange accounts	80
5.7.3.	Settlement transactions for foreign securities	80
5.7.4.	Foreign exchange conversion	81
5.7.5.	FX advice (pre-advice)	82
5.7.6.	Transaction initiated by KELER's nostro account manager(s)	82
5.7.7.	Transaction initiated by KELER	82
<b>VI.</b>	<b>Settlement of regulated market transactions not guaranteed by KELER</b>	
<b>CCP</b>	<b>83</b>	
6.1.	General provisions.....	83
6.2.	General rules of settlement related to non-guaranteed transactions concluded on the BSE	83
6.3.	OTC securities transaction settlement.....	83
6.3.1.	OTC transactions	83
6.3.2.	Settlement of primary market transactions	84
6.3.3.	Settlement of repo transactions	84
6.4.	Settlement of compensation notes .....	85
<b>VII.</b>	<b>Settlement of international transactions .....</b>	<b>86</b>
7.1.	Settlement services for foreign securities .....	86
7.1.1.	General provisions	86
7.1.2.	Free of Payment (FOP) transactions	88
7.1.3.	Transactions against payment (A/P)	89
7.1.4.	Management of corporate events relating to foreign securities	89
7.1.5.	Procedure relating to taxation	90
7.2.	Settlement services for transactions made in the XETRA system .....	91
7.2.1.	General provisions	91
7.2.2.	Stock exchange settlements / settlements	92
7.2.3.	Handling defaults	92
7.2.4.	Obligation to provide collateral	93
7.2.5.	Lending of securities	94
<b>VIII.</b>	<b>Other services provided by KELER.....</b>	<b>95</b>
8.1.	Blocking of securities due to bank card or cash limit.....	95
8.1.1.	General provisions	95
8.1.2.	Limit increase	95
8.1.3.	Limit reduction	95
8.2.	KELER ensuring the possibility to exercise proprietary rights.....	96
8.2.1.	Provisions concerning corporate events executed at the instruction of the issuer	96
8.2.2.	Exercising proprietary rights at the request of the Client	101
8.3.	Retrospective shareholders registration .....	101
8.3.1.	Retrospective shareholder registration at the order of the Supervisory Authority	101
8.3.2.	Retrospective shareholder registration at the request of the issuer	101
8.4.	Securities lending .....	102
8.5.	Collateral valuation and collateral verification for third parties .....	102
8.6.	WARP services .....	102
8.6.1.	General rules	102
8.6.2.	Participants of WARP	103
8.6.3.	The WARP distribution process	103
8.6.4.	Settlement of investment fund units distributed through WARP	103
8.6.5.	Trailer fee reports	104
8.7.	Trade reporting to the trade repository .....	104

8.7.1. General rules	104
8.7.2. Trade reporting process	105
8.8. Transparency reporting.....	105
8.8.1. General rules	105
8.9. Trade reporting to the competent authority .....	106
8.9.1. General rules	106
8.9.2. Process of trade reporting	106
8.10. Market data vending .....	106
8.11. LEI code issuance .....	106
8.12. Reporting to ACER .....	107
8.12.1. General rules	107
8.12.2. Reporting process	107
<b>IX. Agreement concluded pursuant to Act XXIII of 2003 on settlement finality in payment and securities settlement systems.....</b>	<b>108</b>
9.1. General provisions .....	108
9.2. Participant of the system .....	108
9.3. The indirect participant .....	108
9.4. Joining the system .....	108
9.5. KELER as System Operator.....	108
9.5.1. Tasks and responsibilities of the System Operator	109
9.5.2. The task of the System Operator in case of notification on proceedings to restrict payment	109
9.5.3. Special rules on the temporary proceeding to restrict payment	110
9.5.4. Special rules in case of proceedings to restrict payment	110
9.6. Obligations of the Participants, Indirect participant of the System .....	111
9.7. Agreement between the participants of the system.....	111
9.7.1. General provisions	111
9.7.2. Time to receive transfer orders	111
9.7.3. Special rules on the withdrawal of the transfer order if proceedings to restrict payment are opened	112
9.7.4. Compensation from collateral	112
9.8. Provisions on the time to give notices .....	112
9.8.1. Time of receiving the notice on the opening of the proceedings to restrict payment	113
9.8.2. Notice to the Participants of the System on the opening of the proceedings to restrict payment	113
<b>X. Complaint management, sanctions and remedies applied by KELER.....</b>	<b>114</b>
10.1. Complaint management.....	114
10.2. Sanctions .....	114
10.3. Remedy.....	114
10.4. Rules of compensation, liability rules .....	114
<b>XI. Rules on the Central Credit Information System.....</b>	<b>116</b>
<b>XII. Closing provisions.....</b>	<b>116</b>

**I. List of expressions and abbreviations used in the Rules, their definition****Definitions**

<b>Denomination unit:</b>	The smallest unit specified by the issuer for physical securities that represents the rights and obligations included in the securities.
<b>Non-clearing Member:</b>	Any stock exchange member having trading right that concluded a contract with a general Clearing Member of KELER CCP to access KELER settlement services.
<b>Allocation:</b>	A procedure by which relation is established by a person authorized for this purpose based on previously announced principles, algorithms, or in the case of a derivative transaction by KELER on the basis of orders received and position management accounts between the persons and the available quantities.
<b>APA:</b>	Approved Publication Arrangement, the term defined in Article 4 (1) 52 of MiFID II., that is the person authorized under the provisions established in the MiFID II Directive to provide the service of publishing trade reports on behalf of investment firms, in line with Articles 20 and 21 of MiFIR.
<b>ARM:</b>	Approved Reporting Mechanism, the term defined in Article 4 (1) 54 of MiFID II, that is the person authorized under the provisions established in the MiFID II Directive to provide the service of reporting details of transactions to competent authorities or the European Securities and Markets Authority on behalf of investment firms.
<b>Government securities:</b>	Any debt securities issued by the Hungarian or a foreign state, Magyar Nemzeti Bank, the European Central Bank or by central banks of any other member states of the European Union.
<b>Commodities market service provider:</b>	Enterprise defined in Sections 9-11 of the Bszt.
<b>Bank information:</b>	Written information provided at the request of the Account Holder on the bank and securities account maintained by KELER in addition to the information requested in relation to the audited balance sheet..
<b>Investment enterprise:</b>	Enterprise defined in Section 4 (2) 10. of Bszt., i.e. the person whose regular occupation or business is the provision of investment services to third parties or the performance of investment activities for consideration by

authorization granted under Bszt., exclusive of the provisions in Section 3 of the Bszt.

<b>Internal circle:</b>	A payment operation affecting exclusively the payment accounts maintained by KELER.
<b>BÉTa market:</b>	The name of the multilateral trading system for trading cross-border securities operated within the BSE MTF pursuant to the Bszt.
<b>BSE futures transaction:</b>	Standardized sale of product traded on the exchange or the BSE MTF market, at a determined price for a future date, with KELER CCP involved in the performance.
<b>BSE MTF:</b>	The name of the multilateral trading platform(s) pursuant to Bszt. operated by the BSE.
<b>BSE MTF transaction:</b>	The transaction concluded on the BSE MTF.
<b>Collateral:</b>	Any asset provided by the Client for fulfillment of a transaction or an obligation.
<b>Collateral asset:</b>	Aggregate name of the assets, collaterals available to the entitled party to cover different margin and collateral requirements stated by KELER and KELER CCP.
<b>D day:</b>	Date of creation of a dematerialized share, in the case of conversion the first settlement day after closing the period during which securities can be submitted.
<b>Demat event:</b>	Summary term of services related to dematerialized securities, provided at the request of the issuer (creation, cancellation, conversion, over-issuance, partial cancellation, squeezing out, change of certificate) that in the context of these Rules may stand for the special service detailed herein or may refer in general to the services herein listed and related to dematerialized securities.
<b>Dematerialized securities:</b>	Collection of data generated, forwarded and recorded electronically as provided for in the Tpt. and in separate regulations that contain the content requisites of securities in an identifiable manner.
<b>Data determining d Certificate issued on dematerialized securities:</b>	A document issued by the issuer in one copy and deposited at KELER in the form of a printed or electronic document, not qualified as securities according to Section 7 (2) of the Tpt.
<b>Derivative transaction:</b>	Futures and option transaction concluded on the BSE.
<b>Foreign exchange account:</b>	A payment account maintained in foreign exchange by KELER for the Account Holder.

<b>Bond transaction with DVP settlement:</b>	Transaction regulated as such in the Regulations of the BSE on the Code of Trading.
<b>DVD type securities account transfer:</b>	(Delivery versus Delivery) a transaction during the execution of which securities of one or more specific series are debited against crediting of securities of one or more series. Debit and credit items are completed simultaneously.
<b>DVP type securities account transfer:</b>	(Delivery versus Payment) transactions during execution of which securities with specific series are debited against crediting the cash counter value to the cash account kept with MNB or KELER. Debit and credit items are completed simultaneously.
<b>eDEMAT system</b>	Electronic system operated by KELER for the execution of demat events
<b>E day:</b>	Starting day of an event involving payment arising from securities and to be effected by the issuer and the day of a corporate event.
<b>Individual securities custody account:</b>	An account for recording physical securities in individual custody by denomination and serial number.
<b>Demat event executed electronically:</b>	The demat event that is executed via the KID or the eDEMAT system.
<b>Electronic signature:</b>	Electronic signature in accordance with Article 3 (10) of Regulation (EU) No 910/2014 that is attached to or logically associated with other data in electronic form and which is used by the signatory to sign..
<b>Clearing:</b>	The activity defined in Section 5 (1) 70. of the Tpt., i.e. the procedure that includes the processing, matching and confirmation of orders for the settlement of commodities transactions concluded on the stock exchange, off the stock exchange, or in the regulated market, balancing platform determined in separate law, or for the settlement of transactions in financial instruments, the creation of the underlying final position of settlement prior to actual settlement (on a gross or net basis), and making sure that the appropriate instruments are available for settlement.
<b>Clearing system:</b>	Mutual agreement concluded by the members of the system on the processing of cash and securities transfers and on position management according to uniform rules.
<b>Participant to settlement:</b>	The Participant establishing the net payment obligations of the institutions, any central counterparty and any performing party. Additionally, in the case of WARP the Account Holder authorized by a fund manager to create and cancel the open-ended units of the fund managed by the fund manager is a Participant to Settlement.



<b>Energy market:</b>	The markets guaranteed and settled by ECC, related to which KELER CCP provides energy market non-clearing member services.
<b>Energy market non-clearing member:</b>	Person with energy market trading right that concluded energy market non-clearing membership agreement with KELER CCP.
<b>ACER:</b>	Agency for the Cooperation of Energy Regulators
<b>Securities:</b>	An instrument under the scope of the Tpt. or any data defined in regulations, recorded, registered in any other way that possess all requisites stipulated by law and the issuance or appearance of which in this form, by evidence of a certificate or in dematerialized form is allowed by law. Furthermore, securities mean any deed or investment instrument that is classified as securities in the jurisdiction of the place of issuance, irrespective of the form of appearance.
<b>Securities lending:</b>	The transaction defined in Section 5 (1) 44 of the Tpt., i.e. the transfer of the proprietary rights in the securities, where the lender transfers securities to the borrower subject to a commitment that the borrower will return equivalent securities in terms of quantity and series at some future date stipulated by contract or when requested to do so by the transferor, to the transferor or to a third party designated by the transferor.
<b>Custody of securities:</b>	The service specified in Section 4 (2) 44. of the Bszt., i.e. the administration of financial instruments for the account of clients, collection of interest, dividend, yield and repayment and the provision of other associated services jointly, including the services related to collateral management.
<b>Securities safekeeping:</b>	The service specified in Section 4 (2) 43. of the Bszt., i.e. taking over, recording and releasing financial instruments at the order of the holder of the securities.
<b>Securities custody account:</b>	The account specified in Section 4 (2) 25. of the Bszt., i.e. the account held for the Account Holder, for the safekeeping and administration of securities taken over from the Account Holder, in which account KELER records physical securities in fungible safekeeping.
<b>Securities series:</b>	Unless otherwise provided for by the Tpt. it means the total quantity offered at a certain date of securities produced similarly and representing the same rights or the total quantity of securities with the same rights issued at various points in time.
<b>Securities account:</b>	The securities account specified in Section 5 (1) 46. of the Tpt., i.e. the set of records on dematerialized securities and other related rights maintained on behalf of the owner of the securities.
<b>Securities secret:</b>	The term specified in Section 369 (1) of the Tpt., i.e. all data and information at the disposal of the investment

fund management company, the venture capital fund management company, the exchange, the central securities depository, the central counterparty concerning specific clients relating to their personal information, financial standing, business operations, investments, ownership and business relations, and for their contracts and agreements with any investment fund management company, venture capital fund management company, the exchange, the central securities depository, the central counterparty, the balances and turnover of their accounts.

**Depository Announcement:**

Document containing further detailed, additional requirements, obligations, and procedural orders by KELER for KELER's services under authorization of these Rules.

**Annulment:**

A procedure as provided for in Section 7 of Government Decree 98/1995 (VIII. 24.) on the Security Rules Related to the Production, Handling and Physical Destruction of Certain Securities.

**Covered position:**

The position with regard to which the Clearing Member makes the required quantity of securities available to the central counterparty prior to the obligation of fulfillment.

**FIFO:**

First In First Out, a processing principle for items submitted for settlement according to which the sequence of processing is determined by the time of submission, i.e. processing of items submitted earlier shall precede processing of those submitted later.

**Payment account:**

The payment account defined in Section 2 (8) of the Pft., that is the account for the performance of payment operations, opened by the payment services provider in the name of one or several of its clients, including the bank account also, which KELER keeps for the purpose stated in the Tpt.

**Proceeding to restrict payment:**

The bankruptcy proceedings and liquidation proceedings as provided for in the Cstv. and the appointment of temporary receiver, and Section 48 (5) of the Hpt., Section 55 (2) of the Hpt., the supervisory measures laid down in Section 185 (2) cf) of the Hpt., the supervisory measures laid down in Section 128 (1) and Sections 164 (1) h) and n) of the Bszt, the prohibition of payment laid down in Section 135 (1) of the Bszt., additionally the supervisory measures stated in Section 400 (4) of the Tpt., or any supervisory or authority measures replacing or supplementing such regulations, if the authority entitled to take measures designates them as proceedings to restrict payment defined in Section 5 (1) of the Tpt.. Measures by the court without express reference are considered proceedings to restrict payment. Based on the advice by the authority entitled to take measures the proceedings to restrict payment can be temporary or final as stated expressly in the advice of the authority entitled to take measures.

<b>Consumer:</b>	As defined in Section 6 (1) 28. of Hpt. the natural person acting for purposes outside his trade, business or profession.
<b>FoP type securities account transfer:</b>	A (free of payment) transaction during execution of which a series of specific securities is debited and credited on the securities accounts.
<b>Record date:</b>	The business day for which the rights of the owners related to securities are defined based on the closing account balances of the same day.
<b>Distributor:</b>	The entity defined in Section 23 (1) of the Tpt. involved in the distribution of collective investment securities specified in Section 4 (1) 44. of the Kbftv.
<b>Guaranteed regulated market transaction:</b>	Transactions with multinet settlement and derivative transactions.
<b>Gas market:</b>	TP and CEEGEX.
<b>Gas market transaction:</b>	The transaction traded at TP and CEEGEX.
<b>GIRO:</b>	Operator of the Interbank Clearing System.
<b>GIRO IG1:</b>	GIRO nighttime clearing method.
<b>GIRO IG2:</b>	GIRO daytime clearing method.
<b>GIRO daytime clearing:</b>	The maximum period of time during which the electronically submitted and received domestic Forint payment for same day settlement of the transferor, given to its payment service provider in line with the applicable cut-off is received by the payment service provider of the beneficiary.
<b>Credit institution:</b>	Financial institution defined in Section 38 (1) of the Hpt.
<b>Debt securities:</b>	The term determined in Section 5 (1) 57 of the Tpt., i.e. all securities in which the issuer (debtor) acknowledges that a certain amount of money has been placed at its disposal and commits itself to repaying the amount of the principal (loan) as well as, in the case of interest-bearing securities, the agreed interest or other returns (hereinafter referred to collectively as interest) calculated as specified as well as to performing any other predetermined services to the holder of the securities (the creditor) on the date and in the manner stipulated.
<b>IBAN identifier:</b>	International cash management identification number defined in MNB Order 18/2009. (VIII.6.) on the operation of cash management.
<b>Temporary blocking:</b>	The process of KELER blocking securities subject to the transaction at the seller, until performance, in the course

of securities cover verification related to the execution of transfer transactions.

<b>Immobilized securities:</b>	Any physical securities for which the total issued quantity was deposited at KELER and physical delivery cannot be requested therefrom.
<b>Instrument:</b>	In case of BSE futures transaction it is one expiry of a product included in the List of Contracts. In case of an option transaction, it is an option series. For gas market transaction an individual product traded in the daily market with all features of the product allowing the matching of buy and sell offers defined.
<b>ISIN identifier:</b>	The term specified in Section 5 (1) 61. of the Tpt., i.e. identification code comprising letters and numbers assigned by the central securities depository to securities of the same type and to exchange products, or a combination of such codes.
<b>Market claim:</b>	Based on the declaration of the instructing parties, KELER rearranges between the counterparties involved the entitlement for the quantity of securities involved in the transactions unsettled but matched on the record date of the corporate action of the instructed securities.
<b>Transformation:</b>	KELER cancels the unsettled but matched transactions of the instructed securities on the record date of the corporate action, and transforms such transactions by creating new instructions in line with the terms of the corporate action.
<b>Buyer protection:</b>	The buyer of the securities submits instruction to the delivering party and to KELER related to the voluntary event, such instruction allows the holder of the securities to select the right of the option preferred related to the event.
<b>KELER Depository:</b>	The place where physical securities are stored.
<b>KELER website:</b>	The site available at <a href="http://www.keler.hu">www.keler.hu</a> .
<b>Origination:</b>	The procedure of KELER to create dematerialized securities, started at the request of the Issuer and ended when the account of the Account Holder with KELER is credited with the dematerialized securities.
<b>Compulsory provision:</b>	Legal consequence applied in case of failure to meet an obligation towards KELER or KELER CCP, arising from a regulated market, BSE MTF transaction or MTS transaction or gas market and energy market settlement, which is specified as compulsory provision by the General Business Rules of KELER and/or KELER CCP.
<b>Trading right:</b>	Authorization in possession of which a person is entitled to participate in BSE, MSE MTF market, MTS market, gas market and energy market trading.

<b>Trade repository:</b>	The legal person determined in Article 2 (2) of EMIR
<b>Issuance:</b>	The process of creation of securities, starts with the decision to issue of the Issuer and ends when in case of dematerialized securities the securities are credited to the securities account of the owner, in case of physical securities the securities are handed over to the owner of the securities.
<b>Issuer:</b>	The term specified in Section 5 (1) 67. of the Tpt., i.e. the person committing to perform the obligations embodied in the securities in its own name.
<b>KID system:</b>	A system established by KELER that ensures electronic communication between KELER and its Clients.
<b>Settlement:</b>	<p>In the case of securities transaction the term specified in Article 2 (1) 7. of the CSDR, i.e. settlement of securities transaction concluded with the aim of discharging the obligations of the parties to that transaction through the transfer of cash or securities, or both.</p> <p>In the case of transactions other than securities transactions, the term specified in Section 5 (1) 120. of the Tpt., i.e. in the case of transaction concluded by the clients of KELER and the clients of the central counterparty, with commitment undertaken by the central counterparty, the settlement of financial and non-financial claims (positions) of the central counterparty clients and the central counterparty.</p>
<b>Settlement agent:</b>	The Account Holder with payment account held by KELER and the MNB and maintaining securities account with KELER, which keeps the accounts necessary for Multinet settlement for the Clearing Member and the Non-clearing Member and provides services in the interest of settlement in accordance with the agreement concluded.
<b>Settlement day:</b>	The calendar day on which KELER provides settlement and central securities depository service.
<b>Settlement system:</b>	The term specified in 2 (1) i) of the Tvt., i.e. the form of cooperation based on written agreement, not considered system connection, when three or more participants, except for the system operator, the performing party, the central counterparty, the settlement party and the indirect participant, agree that transfer orders among them will be settled based on common rules and unified procedures, with or without the involvement of central counterparty, and the central counterparty is appointed and the appointing authority informs thereon the European Securities and Markets Authority.
<b>Settlement Bank:</b>	In respect of transactions made in the XETRA system the local credit institution with whom KELER made an agreement for performing the function of settlement bank.
<b>Clearing Member:</b>	The person that concluded a clearing membership

agreement with KELER CCP and a service agreement with KELER for the clearing and settlement of guaranteed regulated market, BSE MTF transactions and MTS transactions, or gas market transactions.

**Batch processing:**

Simultaneous collective processing of items received at different points in time that are put in the same group if specifies features are identical.

**Central register of securities:**

The term defined in Section 5 (1) 79. of the Tpt., i.e. the register maintained by KELER, containing in a retrievable manner the data of securities issued domestically.

**Central securities account type „A“:**

An aggregate registration by securities series, maintained by KELER on dematerialized securities owned by the clearing member and in relation to regulated market, BSE MTF and MTS transactions by the clearing member being a commodities exchange service provider.

**Central securities account type „B“:**

An aggregate registration by securities series and by securities account managers, maintained by KELER on dematerialized securities owned by investment enterprise and credit institution Clients, where the securities account manager of the securities registered is the investment enterprise and credit institution itself.

**Central securities account type „C“:**

Registration of dematerialized securities maintained by KELER for the issuer, where dematerialized securities replacing physical securities not submitted for conversion (i.e. the owner of the securities is not known) are registered by series.

**Central counterparty:**

The term defined in Article 2 (1) of EMIR, i.e. the legal person that interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer. For the purposes of Section X. of the Rules, the term defined in Section 2 (1) g) of the Tvt., the organization that enters the legal relationship related to the transfer orders of the institutions participating in the system and acts as exclusive counterparty towards all of the institutions.

**Warehouse warrant:**

The security defined in Section 24 of Krt., according to which the warehouse warrant represents a coupon of the deposit book kept in chronological order and including serial numbers, and contains data identical to the data on the stub connected to it that is left in the deposit book, but it consists of two separable blocks, the commodity block and the warrant.

**Indirect participant:**

The person defined in section 2 (1) h) of the Ttv., i.e. the institution, central counterparty, performing party, settlement party or system operator that contracted a party of the system performing transfer orders in order to execute its transfer orders through the system, provided the indirect participant is known to the system operator.

<b>Foreign securities:</b>	Any non-HUF denominated securities included in the register of the outsourced account manager accepted by KELER as well as the instruments, qualified as securities, issued thereon.
<b>External circle:</b>	Recording through GIRO (BKR) or VIBER system any payment transfer involving the payment account managed by KELER or any payment account managed by a third party bank.
<b>Outsourced account manager:</b>	Any institution (bank, national or international clearing house, depository) selected by KELER for managing securities accounts and/or foreign exchange accounts on behalf of KELER.
<b>Custodian:</b>	An organization providing securities custody services for its clients on a contractual basis, in possession of a relevant license.
<b>Client:</b>	All persons using the services of KELER and KELER CCP through a Clearing Member (Non-clearing Member).
<b>Micro enterprise:</b>	Enterprise defined in Section 2. 17. of Pft., i.e. the enterprise with less than 10 employees at the time of concluding the framework or one-time payment order agreement, and annual turnover or balance sheet total below 2 million Euros or the Forint equivalent of 2 million Euros in the business year before concluding the contract, computed at the official rate of the Magyar Nemzeti Bank valid on the last day of the business year before concluding the contract.
<b>Qualified electronic signature:</b>	The qualified electronic signature in line with Article 3. 12. of Regulation (EU) 910/2014, i.e. advanced electronic signature that is created by a qualified electronic signature creation device, and which is based on a qualified certificate for electronic signatures.
<b>MTS market:</b>	The name of the multilateral trading facility (MTF) pursuant to Bszt., operated by EuroMTS
<b>MTS transaction:</b>	Transaction concluded on the MTS market.
<b>Cross-border transaction:</b>	The transaction related to which KELER performs the settlement of foreign securities through its outsourced custodian in markets outside Hungary.
<b>Publicly issued securities:</b>	Securities issued in line with Section 5 (1) 95 of the Tpt., i.e. securities not issued privately.
<b>Physical securities:</b>	Securities produced according to Government Decree 98/1995 (VIII. 24.). on the Security Rules Related to the Production, Handling and Physical Destruction of Certain Securities as well as the foreign securities that were physically produced according to the prevailing laws of the place of issue.

<b>OTC transaction:</b>	Securities transactions other than regulated market, BSE MTF and MTS transactions for the purposes of the KELER General Business Rules.
<b>Recycling:</b>	A mode of fulfillment whereby KELER tries to fulfill the orders given to KELER not only on the requested settlement day but repeatedly thereafter up to a specified date.
<b>Consolidated securities account:</b>	Register of securities maintained by KELER for recording physical securities in fungible custody and dematerialized securities available to the Account Holder.
<b>Market:</b>	Trading in specific products with a specific settlement method and with specific guarantees.
<b>Extraordinary situation:</b>	All situations requiring special treatment where the operation of services provided by KELER deviates from business as usual described herein (not including default and all extraordinary arrangements that are not regulated in the Procedure on Extraordinary Situations).
<b>System:</b>	Please see the definition of (Settlement) system.
<b>System relationship:</b>	The term defined in Section 2 (1) p) of the Tvt., i.e. form of co-operation created by the written agreement of the operators of connected systems in order to perform transfer orders across the systems.
<b>System Operator:</b>	The person defined in Section 2 (1) q) of the Tvt., i.e. the organization with liability for damages for the operation of the System.
<b>Repo extension:</b>	A repo transaction where the parties agree on extending a transaction made earlier, settled but not yet expired.
<b>Repo transaction:</b>	A transaction specified in Section 5 (1) 110 of the Tpt., i.e. any agreement for the transfer of proprietary rights in securities or commodities or guaranteed rights relating thereto where the guarantee is issued by a recognized exchange which holds the rights to the securities or commodities - and the agreement does not allow the seller to transfer or pledge a particular security or commodity to more than one counterparty at one time, or for another transaction. The agreement also contains a commitment of the seller to repurchase and a commitment of the buyer to resell the securities or commodities in question at a specified price on a future date specified, or to be specified, by the transferor. The agreement between the parties may also contain a clause that the securities or commodities to which the agreement pertains and that are pledged as collateral may be substituted by equivalent securities or commodities. Such transaction is regarded as a repurchase agreement for the person selling the securities or commodities and a reverse repurchase agreement for the person buying them.
<b>Share series:</b>	The total quantity offered at a certain date of shares generated in the same way and representing the same



rights, or the total quantity of shares issued at various points in time and representing the same rights at a later date.

<b>Participant:</b>	A person provided for in Section 2 (1 j) of the Tvt. , i.e. the institution, the central counterparty, the performing party, the settlement party and the system operator.
<b>SEPA:</b>	The Single Euro Payments Area (SEPA) is a geographic area where citizens, companies and other entities can execute both domestic and international Euro payments, regardless of the place of stay and national borders, subject to identical rights and obligations. SEPA members include the 28 EU member states, Iceland, Liechtenstein, Monaco, Norway and Switzerland.
<b>Structured product:</b>	The security issued under the Issuer's own law, based on which the Issuer shall be liable to settle a claim or payment in favor of the security holder depending on the value of the Underlying determined in the Final Terms of the Structured Product at the maturity date therein fixed. (In line with these Rules certificates and warrants are structured products.)
<b>Final Terms of Structured Product:</b>	The document where the Issuer of the structured product defines the basic features of the structured product, such as e.g. the method of settlement and the cases of meeting the settlement obligation.
<b>SWIFT:</b>	Society for Worldwide Interbank Financial Telecommunication –transfer system of international payments.
<b>Regulated market:</b>	Markets stated in Section 5 (1) 114 of the Tpt., i.e. the exchange market or other regulated market of any Member State of the European Union that satisfies the following criteria: a) functions as a multilateral system operated or managed by a market operator, b) brings together or facilitates the bringing together of multiple third-party buying and selling interests in listed financial instruments - in the system and in accordance with its non-discretionary rules - in a way that results in a contract, c) authorized by the competent supervisory authority of the Member State where established, d) functions regularly and operates at specific hours, e) must be included in the lists of regulated markets available on the official website of the European Commission.
<b>Regulated market transaction:</b>	The exchange transaction (contract concluded by a dealer on an exchange market for the instruments and in the manner prescribed in the internal regulations of that market) specified in Section 319 of the Tpt.
<b>Regulatory document:</b>	A document containing regulations defined by KELER as a self-regulatory organization that represent rights, obligations or information for the Client and are available

for the Client on the website of KELER or are sent directly to the Client (e.g. public procedures, Depository Announcements, lists of conditions, form agreements).

**Specialized credit institution:**

The organization specified in Section 8 (5) of the Hpt., i.e. the organization that is authorized to operate in line with the separate legal regulations applicable to the organization, however, it is not authorized to perform the full spectrum of activities listed in Section 3 (1) of the Tpt.

**Account Holder:**

The client for whom KELER keeps payment and/or securities account based on the account contract concluded. The client of the Account Holder, thus the person designated on the dedicated account, is not considered Account Holder for the purposes of these Rules.

**Section:**

Part of the BSE trading separately regulated by subject or product of the trade, the persons entitled to trade and the method of settlement.

**Personally / directly managed demat event:**

Demat event executed at the seat of KELER with the personal presence of the representatives of the issuer and KELER.

**Service agreement:**

The form contract concluded between KELER and the clearing member, clearing members entitled to settle gas market and energy market transactions, energy market non-clearing members for the provision of payment account and securities account management services.

**T2S:**

The Target2-Securities (T2S) securities settlement platform of the Euro system that as a supranational securities settlement system is designed to link certain European Union central securities depositories and central banks by enabling DVP settlement in the cash accounts kept by the participating central banks and the securities accounts held by the participating central securities depositories. T2S started operation on 22 June 2015. KELER joined the securities settlement platform on 6 February 2017.

**Corporate event:**

The term defined in Section 5 (1) 119a of the Tpt., i.e. the event when the owner of the securities is entitled to exercise the rights related to the securities against the issuer.

**Corporate event date:**

The date of the corporate event determined by the issuer.

**Permanent data carrier:**

The term defined in Section 2 . 26. of the Pft., i.e. the instrument allowing the addressee to store data for the period required and display data stored in unchanged format and with unchanged content.

<b>Remotely managed demat event:</b>	The demat event that is not executed electronically when the demat event is executed without the personal presence of the issuer.
<b>Technical maturity:</b>	The setting applied by KELER in the case of securities with maturity to ensure that account operations can be executed, it is not the modification of the original maturity date of the security.
<b>Settlement:</b>	For the purposes of Section X. the activity specified in Section 2 (1) l) of the Tvt., i.e. the settlement of payables and receivables among the System Participants in the settlement accounts in line with Section 2 (1) m).
<b>Performing party:</b>	The person specified in Section 2 (1) n) of the Tvt., i.e. the organization maintaining the settlement accounts of the entities participating in the System and that of the central counterparty and guaranteeing the settlement of transfer orders and, if necessary, granting loan to an entity and/or the central counterparty for the purpose of facilitating settlement.
<b>T day:</b>	The exchange day when the trade is made or the derivative clearing price is changed, or the event takes place related to which the right or obligation arises.
<b>Tolerance limit:</b>	The maximum difference in purchase price determined by KELER for DVP trades, within which difference the trade is validly settled..
<b>Stock exchange:</b>	The organization specified in Section 5 (1) 122. of the Tpt., i.e. the company concentrating the supply and demand for listed products in order to facilitate efficient movement and evaluation of capital, distribution of price and other risks, and executing the trading of listed products, promoting the free elaboration of prices.
<b>Stock exchange settlement securities sub-account type „M”:</b>	A stock exchange settlement securities sub-account opened for the Account Holder on which the regulated market, BSE MTF and MTS transaction is settled and which is exclusively for settlement of a transaction relating to securities owned by the Clients of the Account Holder.
<b>Stock exchange settlement securities sub-account type „S”:</b>	A stock exchange settlement securities sub-account opened for the Account Holder on which the regulated market, BSE MTF and MTF transaction is settled and which is exclusively for settlement of a transaction relating to securities owned by the Account Holder.
<b>Stock exchange product:</b>	The commodity, security and futures instrument, option series listed, and the product resulting from their combination.
<b>Transfer order:</b>	The term defined in Section 2 (1) k) of the Tvt. , i.e. the order of any participant to make available an amount, transferable security to the beneficiary by crediting an account held by a credit institution, central counterparty,

central bank or performing party.

<b>Shareholders registration:</b>	Establishment of the right of disposition over certain securities, identification of shareholders according to the data registered by KELER as well as those provided by the Clients.
<b>Client:</b>	A legal entity, including the Account Holder also, in contractual legal relationship with KELER for using any of the services specified in these Rules.
<b>Client account:</b>	The account defined in Section 5 (1) 130. of the Tpt., i.e. the account of restricted purposes, to register the financial instruments of the Client, exclusively for the execution of transactions related to the investment services, ancillary services and services used related to commodity exchange services provided by the account manager.
<b>Business day:</b>	The period defined in Section 2 (1) o) of the Tvt., i.e. the period determined by the system business cycle during which business events take place, including night time and daytime settlements and all events taking place in the business cycle of the system.
<b>Real time processing period:</b>	A period defined in the KELER Depository Announcement "Cut-off times to receive, execute and withdraw orders" when KELER processes the transactions according to the provisions of these Rules.
<b>Main distributor:</b>	The Distributor to which the other distributors forward in WARP the client orders taken for public, open-end investment fund units with continuous trading.
<b>VIBER:</b>	A gross value based real-time clearing system for the execution of high value domestic HUF payment orders performed by the Magyar Nemzeti Bank.
<b>Withdrawal:</b>	Withdrawal request at the IG2 platform to transfer back the amount paid.
<b>Redemption:</b>	Repurchasing of the investment fund units by the issuer during the continuous distribution of open-ended investment fund units.
<b>WARP:</b>	The electronic order routing system operated by KELER that supports the distribution and settlement of open-ended investment fund units.
<b>XETRA transaction:</b>	A securities transaction made in the XETRA System of Deutsche Börse.
<b>Closing price:</b>	A value defined by the BSE, EuroMTS or CEEGEX as such.
<b>Blocking:</b>	An account operation in line with the General Business Rules of KELER by which KELER suspends the authority of the Account Holder to dispose independently over an account.

**Private offering:**

Offering of securities as provided for in Section 14 of the Tpt.

**Abbreviations**

<b>BSE:</b>	Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság, Budapest Stock Exchange Incorporated Company.
<b>CEEGEX:</b>	Central Eastern European Gas Exchange
<b>CEGH:</b>	Central European Gas Hub
<b>ECC:</b>	European Commodity Clearing AG
<b>EEX:</b>	European Energy Exchange
<b>EGT:</b>	European Economic Area
<b>EPEX SPOT:</b>	European Power Exchange
<b>EuroMTS:</b>	EuroMTS Limited
<b>FGSZ:</b>	FGSZ Natural Gas Transmission Company Limited By Shares
<b>HUPX:</b>	HUPX Hungarian Power Exchange
<b>IG1:</b>	InterGIRO1
<b>IG2:</b>	InterGIRO2
<b>KELER:</b>	KELER Központi Értéktár Zártkörűen Működő Részvénytársaság (KELER Central Depository Private Company Limited by Shares)
<b>KELER CCP:</b>	KELER CCP Központi Szerződő Fél Zártkörűen Működő Részvénytársaság, KELER CCP Central Counter Party Private Company Limited by Shares
<b>TP:</b>	Trading Platform
<b>MNB/Supervisory Authority:</b>	Magyar Nemzeti Bank
<b>PXE:</b>	Power Exchange Central Europe
<b>T2S:</b>	Target2-Securities
<b>WARP:</b>	Wide Application Routing Platform

## Regulatory environment

In the course of operation KELER complies, among others, with the requirements of the below listed regulations and the requirements of regulations taking effect after the last modification of the present Rules are enacted and with the agreements concluded.

<b>Bszt.:</b>	Act CXXXVIII of 2007 on investment enterprises and commodities exchange service providers and the rules relating to activities that can be undertaken by them.
<b>CSDR:</b>	Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012
<b>Cstv:</b>	Act XLIX of 1991 on bankruptcy proceedings, liquidation proceedings and voluntary dissolution
<b>EMIR:</b>	Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
<b>FATCA:</b>	The Foreign Account Tax Compliance Act of the United States of America
<b>Fgytv.:</b>	Act CLV of 1997 on consumer protection
<b>Fttv.:</b>	Act XLVII of 2008 on the prohibition of commercial practices that are unfair to consumers
<b>Hpt:</b>	Act CCXXXVII of 2013 on credit institutions and financial enterprises
<b>Info tv.:</b>	Act CXII of 2011 on Informational Self-Determination and Freedom of Information
<b>Compensation Act:</b>	Act XXV of 1991 on partial compensation for damages unlawfully caused by the state to properties owned by citizens in the interest of settling ownership relations
<b>Kbftv:</b>	Act XVI of 2014 on collective investment forms and its managers, and on the amendment of financial acts
<b>Krt.:</b>	Act XLVIII of 1996 on warehousing
<b>MiFID II:</b>	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2015 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU
<b>MiFIR:</b>	Regulation (EU) 600/2014 of the European Parliament and of the Council of 15 May 2015 on markets in financial instruments and amending Regulation (EU) 648/2012
<b>MNB tv.:</b>	Act CXXXIX of 2013 on the Magyar Nemzeti Bank
<b>Pmt:</b>	Act CXXXVI of 2007 on the prevention and combating of

money laundering

**Pft:** Act LXXXV of 2009 on the provision of cash management services

**REMIT:** Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency

**SEPA End-Date Regulation:** Regulation (EU) No 260/2012 of the European Parliament and of the Council of 14 March 2012 establishing technical and business requirements for credit transfers and direct debits in euro and amending Regulation (EC) no 924/2009

**Tpt:** Act CXX of 2001 on the capital market

**Tvt.:** Act XXIII of 2003 on Finality in payment and securities settlement systems

**Government Decree 284/2001. (XII.26.):**

on the security rules and method of producing and forwarding dematerialized securities and on the rules of opening and maintaining securities account, central securities account and client account.

**MNB Order 9/2009. (II.27.):**

on the requirements on the general business rules and procedures of the organization providing clearing house services pursuant to the definition of the Tpt.

**MNB Order 10/2009. (II.27.):**

on the requirements of the procedures of the central depository.

**MNB Order 18/2009. (VIII.6.):**

on the operation of cash management

**MNB Order 20/2014 (VI.3.):**

on the ISIN identifier

**BSE – KELER cooperation agreement:**

an agreement concluded between KELER and the BSE regulating the cooperation of the two organizations.

**KELER – KELER CCP cooperation agreement:**

an agreement concluded between KELER and KELER CCP regulating the cooperation of the two organizations

**MNB-KELER cooperation agreement:** an agreement concluded between KELER and the MNB regulating the cooperation of the two organizations.

**Unicredit Bank special bank account agreement:**

Bank account agreement related to the operation of teller services outside KELER.

**Agreement between KELER and Erste Bank on outsourcing certain depository services:**

The agreement governing the depository services outsourced by KELER.



## I. Introductory provisions

KELER Central Depository Private Company Limited by Shares (hereinafter: KELER) is a clearing house and central depository operating in the form as provided for in Tpt., Hpt. and Bszt.. The purpose of KELER is to create, modify and cancel securities, keep the central securities register, operate the securities settlement system and to act as an efficient background institution of the Hungarian capital market when providing other services allowed by regulations. In the course of operation KELER fully complies with the principles of integrity and equal treatment and the basic principles defined in the European Code of Conduct for Clearing and Settlement by the association of the infrastructural institutions of the European capital markets.

According to Resolution No. 33.001-1/1994 of the Supervisory Authority KELER is the organization appointed to perform central depository operation in Hungary.

In line with the Tpt., the MNB Decree 20//2014 (VI. 3.) and Resolution 33.001-1/1994 of the Supervisory Authority KELER as central depository issues ISINs and is in charge of the central registration of securities.

KELER is an APA and ARM operating in line with MiFID II and MiFIR, based on Resolution H-EN-III-484/2017 of the Supervisory Authority.

The KELER Depository provides physical safekeeping, custody of the securities in the Depository as well as services in respect of physical and dematerialized securities. KELER outsourced the safekeeping and custody of physical securities. These Rules contain the terms of using this service. With respect to the person using the services offered by the Account Holder, in the case of physical securities KELER acts as sub-custodian.

KELER joined the Target2-Securities (T2S) securities settlement platform of the Eurosystem. Functional since 22 June 2015, as a supranational securities settlement system, T2S is designed to link the central securities depositories and central banks of the European Union. These Rules and the applicable Depository Announcement contain the rules related to T2S settlement.

Since 1 January 2004, in line with Supervisory Authority Resolution I-1676/2003, KELER operated as a specialized credit institution acting as clearing house also. KELER CCP took over this function when it started operation. In the clearing of stock exchange trading, BSE MTF transactions and MTS transactions, KELER performs the settlement of trades cleared by KELER CCP. KELER continues to settle BSE fix price, auction trades and primary trades executed through the BSE, and OTC and cross-border trades.

Pursuant to the Tpt. and Government Decree 284/2001 (XII. 26.) on the method of production and forwarding of and safety regulations for dematerialized securities and on the rules of opening and maintaining the securities account, the central securities account and client account, KELER provides comprehensive services relating to dematerialized securities. In respect of dematerialized securities KELER maintains the central securities accounts and pursuant to the provisions of the Tpt. KELER maintains securities accounts.

As a specialized credit institution KELER is entitled to grant credits and loans, to provide cash management services in line with the provision of the Tpt. and the Hpt.

As of 1 August 2013 KELER outsourced risk management. KELER CCP undertakes this activity in line with the outsourcing agreement concluded with KELER and the General Business Rules of KELER CCP.

KELER outsourced the performance of cash transactions. UniCredit Bank Hungary Ltd. (trade registry number: 01-10-041348; registered office: 1054 Budapest, Szabadság tér 5-6.) performs the activity in line with the agreement concluded with KELER.

On the basis of instructions by its Clients, KELER executes OTC and international settlements, manages collaterals, keeps register of shareholders, publishes data in line with Articles 20-21 of MiFIR, forwards data to the trade repository in line with Article 9 of EMIR, to ACER in line with Article 8 of the REMIT, and to the competent authority in line with Article 26 of MiFIR, acts as data vendor, and operates the system supporting securities lending and the distribution and settlement of investment fund units. Furthermore, it is entitled to conclude securities lending transactions.

KELER charges fees for services provided according to the prevailing Fee Schedule.

KELER pays interest to the Account Holders on the payment accounts maintained by KELER in accordance with the Terms and Conditions on Interest Payment.

KELER handles all business and securities secrets as well as any personal data becoming known to it according to the provisions of the Info tv. and other applicable regulations.

## II. General Provisions

The requirements of the prevailing regulations of Hungary and the European Union relating to the operation of KELER apply for the operation of KELER. The governing law of the relationship between KELER and its Clients is the Hungarian law.

These Rules contain detailed rules for services provided by KELER, the rights and obligations of KELER and the Clients using its services when providing/using the services. Furthermore, the Rules contain provisions on cooperation between KELER and its Clients, on provision of information and on data management.

The procedural matters related to the provisions of these Rules as well as any further detailed provisions by authorization of these Rules are specified in the Depository Announcements, Lists of Conditions, Fee Schedule and other information materials. Unless expressly provided otherwise, if any Regulatory document, form or individual contract, statement refer to the application of these Rules, the reference is made to the application of all related regulatory documents.

Extraordinary situations and applicable rules if such situations occur shall be defined in the relevant procedure that KELER makes available to its Clients. KELER provides information on the occurrence of extraordinary situations in the manner stated in the procedure referred to.

These Rules and its amendments will be accepted by the Board of Directors. Approval by the Supervisory Authority is required for the Rules to enter into force.

In case of changes to these Rules and to parts of other procedures and public regulatory documents governing issues as stipulated in MNB Orders 9/2009 (II.27.) and 10/2009. (II.27.) KELER ensures that its Clients become familiar with the modifications and can make comments in the manner and until the deadline stated on the website. Accordingly KELER publishes on the website the planned modifications at least 6 business days prior to the meeting of the body making decision thereto. If the planned modification is of a comprehensive nature or of large volume, changes are made public at least 11 business days prior to the decision. The text of the modification can be reviewed with changes highlighted (track changes) in the prevailing version of the regulatory document.

KELER is not obliged to make public the planned modification of regulatory documents in the following cases:

- in case of modification to regulations on fees, commissions and costs;
- in case of changes to the type and extent of risk management tools defined in procedures;
- if providing the opportunity of giving prior opinion prevents safe and efficient operation.

Clients can send eventual comments on modifications to the e-mail address [keler@keler.hu](mailto:keler@keler.hu).

Should these Rules or any other regulatory document contain modifications that are disadvantageous from a cash management aspect for the Client considered Micro enterprise or Consumer, KELER shall send to such Client the modification in printed form or on permanent data carrier as defined in Pft. two months prior to the effective date of the modification.

If the Client considered Micro enterprise or Consumer does not inform KELER until the effective date of the modification on non-acceptance of the modification, KELER shall consider the Client consented to the modification. In this case the payment account agreement legally concluded earlier shall remain valid with modified content.

Until the effective date of the modification the Client considered Micro enterprise or Consumer shall be entitled to terminate the payment account agreement without the payment of any fees, costs or other payment obligation. The condition of such unilateral termination of the payment account agreement is that the Account Holder meets all cash management obligations and obligations involving cash management also towards KELER and KELER CCP.

In the case of Clients not considered Micro enterprises or Consumers KELER meets the regulatory requirements on the amendment of these Rules by taking the opportunity to apply the diverging provisions stated in Section 3 (2) of the Pft.

The unilateral amendment with negative effect for the Client of contracts pursuant to which KELER provides the services stated in Sections 3 (1) b) and d) of the Hpt. can be completed only in the cases herein defined. Such unilateral amendment with negative effect for the Client can be based on:

- the change of legislation on or related to the activities, conditions of operations of KELER, orders by the MNB or the change of other mandatory rules related to KELER,
- the adoption, change of rates and taxes related to the activity of KELER (e.g. taxes), change in the rules on mandatory reserves,
- any change in the provision of services by KELER that results in cost increase related to the provision of services that can be evidenced,
- if the Board of Directors of KELER makes decision to increase fees with the rate of inflation published by the Central Office of Statistics.

Introduction of new services by KELER that are made available to the Client partly or fully is not considered negative amendment of contract.

If a product or service is terminated or modified, KELER is entitled unilaterally to offer the Client equivalent or higher level product or service instead of the product or service terminated or modified.

In case of any other amendment to these Rules all the Clients are entitled to terminate the form contract concluded with KELER within 30 days from the effective date of the amended Rules provided any other condition herein stated are complied with. Should the Account Holder not exercise its right of termination within the said deadline, KELER will consider that the Account Holder accepted the amendment of the Rules and recognized them as binding for itself. The effective form contract established earlier will remain in force with the content being in accordance with the amendment.

For the purpose of implementation of the content of these Rules, including the provisions of the Depository Announcements, the Client shall undertake to create internal regulations and cooperation with KELER and KELER CCP that are in compliance with the provisions of the regulations of these organizations and provide for compliance therewith.

In accordance with the authorization stated in Section 338 of the Tpt., KELER has the right to enforce its collateral right and to make compulsory provisions. The bail of KELER is not terminated by the start of the proceedings to restrict payment against the Client.

## **2.1. The Clients of KELER**

KELER provides services to persons that are entitled to make use of the service concerned in accordance with the provisions of regulations, comply with the requirements of the procedures of KELER, undertake to comply with reporting obligations defined by KELER, meet the material and technical conditions for the use of services stipulated by KELER and accept the procedures of KELER as obligatory for themselves.

The persons below listed are entitled to use the services of KELER:

- exchange,
- foreign clearing house,
- central securities depository,
- central counterparty,
- investment enterprise,
- credit institution,
- commodities exchange service provider,

- investment fund manager,
- participant of an organized market as provided for in law,
- securities issuer,
- the Hungarian state,
- the institution managing the estate of the Hungarian state,
- the MNB,
- deposit insurance system,
- investor protection system,
- resolution financing arrangement,
- payment institution, and
- electronic money issuing institution.

## **2.2. Services of KELER**

### **2.2.1. List of Services**

KELER provides the following services specified in these Rules to its Clients:

- issuance of ISIN,
- recording in T2S the securities issued in Hungary
- central register of securities also containing the central register of securities stopped and cancelled that are delivered to KELER and are in the scope of the Tpt.,
- issuance, registration and cancellation of dematerialized securities,
- opening and holding of central securities accounts,
- execution of corporate actions,
- keeping of share registry,
- offering market claim, transformation and buyer protection
- issuance of an instrument on securities issued in Hungary for the purpose of distribution abroad,
- issuance of an instrument on securities issued abroad for the purpose of distribution in Hungary,
- settlement of BSE fix price, auction trades and primary trades concluded on the BSE, OTC and cross-border transactions,,
- financial settlement of transactions cleared,
- non-cash (product) settlement of a transaction cleared,
- securities settlement of cleared transaction,
- provision of cash management services, including management of payment accounts and foreign exchange accounts,
- lending money,
- safekeeping and registration of financial instruments and related Client account maintenance, custody and related securities account maintenance, for physical securities registration of such securities and maintenance of Client account,
- operation of a securities lending system,
- operation of the system supporting the distribution and settlement of investment fund units,
- reporting trades to the trade repository pursuant to Article 9 of EMIR, publication of data pursuant to Articles 20-21 of MiFIR,
- reporting data to the competent authorities pursuant to Article 26 of MiFIR,
- reporting data to ACER pursuant to Article 8 of REMIT,
- market data vending,
- cooperation in the issuance of LEI codes.

Furthermore, KELER is entitled to perform supplementary activities specified in the Tpt.

### **2.2.2. Restrictions relating to individual activities (services)**

KELER is entitled to require a collateral from Clients using its services.

The collateral serves as bail for fulfillment of the transaction in compliance with the terms of the relevant agreement and can be used by KELER in case of default by the Account Holder without limitation. The Account Holder must guarantee that the collateral can be used at all

times.

KELER as a central depository keeps a central securities account for the securities account manager. KELER maintains the central securities account on the securities submitted for conversion but not accepted for the issuer.

KELER is entitled to maintain a cash account and other payment accounts in Hungarian Forint and foreign currencies for all its Clients (the Client is considered Account Holder once the account is opened).

KELER maintains payment accounts for its Account Holders and the Clients thereof in order to handle their funds and collateral in a segregated manner.

KELER provides cash management services linked to the operations defined in the earlier valid Section 335/A (3) of the Tpt., in accordance with the form contract concluded with the Account Holder.

Due to its securities settlement function, KELER as a third party settles DVP and other capital market transactions for domestic credit institutions with the involvement of the cash account of the credit institution kept in HUF at the MNB.

KELER provides services of securities code issuance, central securities registration and keeping the register of shareholders for issuers in respect of securities issued by them and organizations undertaking stock exchange operation according to the Tpt. and other applicable regulations.

If the Client is in arrears with fees, KELER is entitled to suspend the provision of services stated in Points VI.2-5. of the Fee Schedule to the Client until the arrears are paid. The period of suspending the service is not included in the period of administration by KELER.

### **2.2.3. Establishing settlement days and period of operation**

When defining settlement days and periods of operation within settlement days KELER allows for the start and the end of operation periods and legal holidays to be in harmony primarily with the working hours of KELER CCP and the MNB and the operation of BSE, T2S and Clients. Accordingly, following the announcement of the regulation on the order of working days around legal holidays in the year concerned KELER initiates a consultation with KELER CCP, MNB and BSE to establish the legal holidays of the year concerned.

KELER provides services related to BSE in operation periods harmonized with the working hours of the BSE.

Also with regard to the above settlement days may be different for individual ranges of transactions.

KELER makes an advance public notice on its operation schedule of the year that is continuously available on the website of KELER.

### **2.3. Account contracts**

Account maintenance services provided by KELER are available upon completing the applicable and public form contracts and forms.

KELER provides the service after the contract entered into force and the form is signed by both parties.

KELER provides services available for clearing members only to persons in a clearing member legal relationship with KELER CCP. KELER CCP continuously sends to KELER the prevailing list of clearing members, thus the applicant is not required to provide proof of being a clearing member.

KELER provides services that are available to energy market Non-clearing Members to persons exclusively that have an energy market non-clearing member legal relationship with KELER CCP.

KELER shall be entitled to refuse concluding a contract with the applicant if the applicant cannot prove without any doubt compliance with the requirements of the present Rules. If this is the case, within 30 days of receipt of the application by KELER the applicant will receive a written notice on refusing contract conclusion and the reason thereof.

If the applicant sends written comments on the reason of refusal to KELER within 30 days of receipt of refusal, KELER will respond to such comments within 15 days. Without deadline the applicant shall be entitled to repeatedly make an application if the requirements of the present Rules and the content of the refusal of the previous application are fully taken into view.

The Account Holder is entitled to open several consolidated securities accounts which, however, are linked in respect of the relevant clearing member in terms of risk management by KELER and the guarantee provided by KELER CCP.

The electronic client relationship system related to the account maintenance services of KELER can be used following completing the applicable form contract and the necessary forms.

### **2.3.1. Conditions of account opening**

#### **2.3.1.1. Bank and securities account opening**

##### **2.3.1.1.1. General regulations**

The future Account Holder (for the purposes of this section hereinafter: Account Holder) submits an application for opening a bank and/or securities account in writing.

The Account Holder attaches the following documents to the application in original, attested by a public notary or, unless otherwise provided for in international agreements with apostille, or in an electronic document with qualified electronic signature (in case of a foreign Client the documents and the application must be submitted at least in English or with certified Hungarian or English translation, KELER accepts translations as certified if the translation is prepared by a person authorized to make certified translations at the place the translation is made):

- for Account Holder considered Participant the articles of incorporation,
- signature specimen, or signature sample or other document evidencing authorization of the representative to sign on behalf of the organization represented,
- signature card,
- an account or service agreement signed by authorized signatories,
- a document not older than 30 days evidencing that the Account Holder is included in the applicable registration or if the organization is established by regulation certification thereof,
- document evidencing right of representation of the representative of the Account Holder if the right of representation cannot be established based on the document regarding registration by authorities,
- for the Account Holder that KELER keeps payment account the document evidencing tax number and statistical number of the Client if such cannot be established based on the document regarding registration by authorities,
- license by the supervisory authority if the Account Holder performs an activity subject to a license,
- for Account Holder considered Participant authorization and form regarding the finality of payment,
- in case of Account Holder considered foreign Participant written legal declaration prepared by the lawyers of the foreign participant regarding full compliance with the requirements of Sections 10 ea) eb) and ec) of the Ttv..
- On a case by case basis and exclusively if a foreign Client outside the EEA is concerned, regarding the method and extent of certifying compliance with the condition defined in Section 10 ed) of the Ttv. KELER decides in accordance with the purpose of the regulation and requests a country opinion issued by an external legal advisor.
- Forms on compliance with the provisions of the Pmt. in case of Clients that are

subject to due diligence in line with the Pmt., furthermore, in order to validate identity the documents stated in the Pmt. are presented or certified copies of such documents are submitted.

- tax residence (among others, FATCA form and statement).

The branch office in Hungary of a foreign enterprise registered within the EGT shall conclude the account agreement in the name and on behalf of the enterprise with foreign seat.

KELER is entitled to modify the securities account number, the payment account number and the IBAN identifier related to the opened securities if it notifies Account Holder thereof 30 days prior to the modification.

Clients considered Consumers using gas market services are to provide the following documents for account opening in original or as notarized documents, or as electronic documents with certified electronic signature:

- form on compliance with the provisions of Pmt. to be submitted by Clients that are subject to due diligence,
- service agreement executed by the Account Holder.

The Client considered Consumer is required to present the original of documents proving personal identity (personal identity card or passport and address card).

Prior to concluding the agreement KELER completes customer rating in line with Bszt. and provides related information. Prior to concluding the agreement KELER requests Account Holders to state whether they are Micro enterprises or Consumers pursuant to Pft. In case of an Account Holder considered Micro enterprise or Consumer, prior to concluding the agreement KELER provides prior information to the Client in line with Pft.

The form contracts included in the service agreement are governed by the applicable provisions of these Rules.

#### **2.3.1.1.2. Securities sub-account opening**

There is no limit on the number of sub-accounts can be opened under a consolidated securities account. The condition of opening a sub-account is that the Account Holder provides at least the code (number of the sub-account) and other identifier of the beneficiary of the sub-account and consents to provision of the data.

If consent is provided by the beneficiary the account holder is responsible for making sure that the securities in the sub-account are in fact owned by the party for whom the sub-account is kept. In case of share registry completed with shareholder registration no automatic registration is made, unregistered data will be shown in aggregate as a separate line in the share registry managed by KELER.

In the event that the beneficiary of the consolidated securities account opens a named sub-account within the consolidated securities account maintained with KELER, based on the declaration by the Client information must be indicated whether the Client consented to automatically showing its data in the register of shareholders of the issuing company managed by KELER.

#### **2.3.1.1.3. Payment account opening**

KELER automatically opens additional payment accounts necessary for using the services provided

- Client and Non-clearing Member payment account, collateral payment accounts (S/M and Non-Clearing Member) necessary for the fulfillment of guaranteed regulated market, BSE MTF



market and MTS trading, purchase price collateral payment accounts (S/M) as well as other collateral payment account or custody payment account.

#### **2.3.1.1.4. Involvement of settlement agent**

KELER provides for the settlement of transactions cleared by KELER CCP for Clearing Members with no account required for settlement with the involvement of the settlement agent they mandated. The Clearing Member advises KELER and KELER CCP on using the service. In this case the settlement agent, except for credit institutions, must have the necessary bank and securities accounts at KELER.

#### **2.3.1.2. Foreign exchange account opening**

For making use of foreign exchange based settlements KELER opens a foreign exchange account and foreign exchange sub-accounts segregated by currencies thereunder. When opening the foreign exchange account KELER opens automatically the sub-accounts in the currency necessary for the fulfillment of regulated market, BSE MTF and MTS transactions, energy market transactions. Identification of each sub-account is by providing the IBAN identifier and the currency.

Within the range of the registered currencies KELER shall be entitled to determine so-called settlement currencies (both for international settlement and settlement within KELER) and to accept settlement transactions and currency conversion transactions exclusively for the currencies defined.

### **2.4. Account segregation**

KELER guarantees segregation at own and Client level on the accounts managed.

### **2.5. Disposal over the account**

Unless law or an authority expressly provides otherwise KELER shall accept any instruction to an account exclusively from the Account Holder.

The Account Holder shall notify in writing the names of the persons having the right of representation and the authentic signature specimen of the person authorized to sign on a form standardized for this purpose (registration form, signature card).

If a Client considered Consumer wishes to authorize other persons to dispose over the account, the Client is to inform KELER in writing on the signature card.

KELER will accept any order from the Account Holder only if signed by a person registered on the signature card as referred to above.

KELER shall not accept any restriction as to the amount concerned in terms of right of representation.

The Account Holder can give orders to KELER as follows:

- a) in the electronic client relationship system,
  - at the KELER website (only for ISIN issuance and demat events)
  - in the KID system or
  - in a SWFIT message sent in compliance with the KELER SWIFT Rule Book,
  - investment fund unit related orders in the WARP system
- b) on a form used for this purpose (form or settlement note)
  - by mail,
  - personally,
  - in encrypted fax message and

- in encrypted e-mail if the form related to the order concerned permits encrypted e-mail.

KELER will check the right of signature and accept only instructions for transactions with the pre-notified, authentic signature, or in case of orders sent in the electronic client relationship system only instructions with electronic signature.

In case of any change to the rights of representation advised KELER considers the representative and its signature registered effective as long as the new signature card being in compliance with the change is put into effect.

If an instruction by the Account Holder is signed by a person not authorized to sign or the signature deviates from the specimen registered, KELER rejects the instruction and provides the reason of rejection, with simultaneous advice to the submitting party thereof.

KELER considers that instructions submitted electronically are given by persons with right to dispose over the account. The Account Holder is responsible to ensure that only persons authorized by the Account Holder for this purpose can access instruments for providing electronic instructions.

Additionally KELER shall be entitled to accept instructions received in non-encrypted fax or e-mail:

- if the Account Holder concludes an individual agreement with KELER thereon,
- on a case by case basis, when following signature verification KELER requests telephone confirmation by the Account Holder regarding the details of the instruction. The client submitting the instruction is responsible for the authenticity of instructions and damage resulting therefrom.

KELER executes debit transactions exclusively up to the amount of available balances (over and above the blocked amounts) on the account of the Account Holder.

Unless these Rules or regulations provide otherwise KELER does not make partial settlement.

Without separate instruction by the Account Holder but with notification thereto, based on authorization provided by the Account Holder in accordance with these Rules KELER is entitled to debit the account of the Account Holder with the amount of interests, commissions, fees, additional fees and costs related to account maintenance in case of failure to meet an obligation towards KELER with the amount of costs arising and in cases defined in regulations in accordance with the provisions herein stated. If a foreign intermediary (e.g. custodian) is involved in the course of providing service by KELER to the Account Holder (e.g. BÉTa market settlement), KELER automatically passes to the Account Holder additional extra costs (e.g. registration cost, stamp duty, foreign tax, etc.) invoiced to KELER by the foreign intermediary in addition to the costs of the transaction.

Under these Rules the Account Holder authorizes KELER to collect the payables of the Account Holder towards KELER CCP in accordance with the agreement concluded with KELER CCP. The Account Holder authorizes KELER to make available the balances of accounts kept by KELER for the Account Holder to KELER CCP to the extent necessary for the settlement of guaranteed transactions.

In order to meet the payment obligations arising from these Rules and the General Business Rules of KELER CCP for credit institutions KELER is entitled to submit payment orders in Hungarian Forint to the MNB, in the VIBER system, on behalf of the credit institution. The Account Holder authorizes KELER to make available the balances of accounts kept by KELER for the Client to KELER CCP to the extent necessary for the settlement of guaranteed transactions.

Without separate instruction by the Account Holder but with notification sent to the Account Holder, based on authorization provided under these Rules, KELER corrects credit and debit

items that arise due to error by KELER.

Without separate instruction by the Account Holder, based on authorization provided by the Account Holder under these Rules, KELER is entitled to post debit and credit entries related to settlement to the payment account and sub-accounts of the Account Holder.

KELER shall publish the order of submitting and fulfilling individual instruction types in Depository Announcements.

## **2.6. Suspension of the right of disposal over the account**

In case of provision by the Supervisory Authority, a liquidator or any other authority KELER will suspend the right of disposal of the Account Holder for the period provided for by the organ having the right to do so. In this case the suspension does not affect the settlement of any transaction that is yet to be settled and were made before the provision taking effect and the enforcement of the bail. The person appointed by the authority initiating the arrangement shall be entitled to exercise the right of disposal.

Based on authority decree KELER is entitled to block the accounts of the Account Holder. Debits to a blocked account (sub-account) can be completed exclusively in line with the provisions of the decree of the authority initiating the blocking.

In the case of violation of regulatory requirements and the requirements stated in these Rules and in the General Business Rules of KELER CCP in the case of default and in all other justified cases KELER shall be entitled to restrict account turnover that is in fact the temporary suspension of debit items on the account.

## **2.7. Termination of accounts maintained by KELER**

### **2.7.1. Cases of account termination**

Accounts maintained by KELER can be terminated in the following cases:

- a) termination of the Account Holder without any legal successor,
- b) withdrawal of the license of the Account Holder by the Supervisory Authority,
- c) termination of the contractual relationship for the account,
- d) in line with the provisions of the point on handling outstanding receivables of KELER,
- e) application for termination.

### **2.7.2. Precondition for termination of an account**

At the initiative of the Account Holder or in case of withdrawal of the license by the Supervisory Authority KELER is entitled to terminate the accounts of the Account Holder if:

- a) all debits and credits were made to the account,
- b) the balance of the account is zero,
- c) in case of a blocked account if blocking is released,
- d) KELER CCP provides statement of consent thereto.

If there is both a payment account and a securities account and further debit and credit items are expected in the payment account of the Account Holder, the securities account can be terminated on its own if the balance thereof is zero.

In case of termination of the consolidated securities account of an investment enterprise and a credit institution KELER will inform the Supervisory Authority.

At the request of the settlement agent regarding the termination of its cash and securities accounts KELER terminates the accounts stated in the request if the above conditions are complied with.

### **2.7.3. Termination of the account contract**

#### **2.7.3.1. Termination by KELER**

KELER is entitled to terminate the account contract with a notice of 30 days in writing. In case of a Client considered Micro enterprise or Consumer the termination period of payment account termination by KELER is 60 days, except if the Account Holder commits serious or repeated breach of obligations stipulated in these Rules.

KELER may terminate the contract of a clearing member only in case the license of operation of the Account Holder is withdrawn by the Supervisory Authority, the clearing membership legal relationship of the clearing member with KELER CCP is terminated or if KELER is entitled to do so due to an outstanding account receivables toward KELER.

#### **2.7.3.2. Termination by the Account Holder**

The Account Holder may exercise its right of termination only if it

- a) met all its obligations as provided for in these Rules,
- b) gives instruction as to the balance remaining on the account.

Withdrawal by the Account Holder of the authorization provided in line with these Rules to KELER to approve payment operation constitutes termination of the payment account agreement. The withdrawal of the authorization does not take effect during the period of termination.

The Account Holder is entitled to terminate the account contract with a notice of 30 days in writing.

The Parties may agree on a different period of notice.

### **2.8. Handling liabilities towards and receivables from KELER**

#### **2.8.1. Handling liabilities towards KELER**

KELER will act according to this Point in case of any Client liabilities towards KELER on any grounds.

Measures by KELER in case of liabilities of the Client are as follows:

1. In case of any liability outstanding after the due date under any title referred to in this Point KELER will send a written call to the Client to settle the liabilities. In accordance with the provisions of these Rules KELER is entitled to take any freely disposable asset owned by the Account Holder as collateral for settlement of any liability of the Account Holder specified in this Point. Simultaneously with the written call KELER will block all freely disposable assets owned by the Account Holder and deposited at KELER up to the necessary extent.

The necessary extent means the amount presumably necessary to cover the existing actual debt and further costs incurred in the future, which cannot be more in total than 1.2 times as much as the outstanding debt. In case of taking securities as collateral their assessment will be made by KELER according to the provisions relating to default on securities traded on regulated markets, BSE MTF market and the MTS.

In accordance with the rules on bail of the Civil Code the assets will be transferred from the Account Holder to KELER, i.e. the subject of bail will be transferred (blocked). KELER shall inform the Account Holder in writing without delay on taking its assets as bail.

The bail will also extend to the freely available assets owned by the Account Holder and becoming available at a later date as long as the debt is outstanding. KELER will maintain

the blocking only up to 1.2 times the value of the prevailing amount of the outstanding debt.

2. After expiry of the deadline set in the call KELER will debit the account of the Account Holder with the amount of the debt and the amount of the late interest stated in the Fee Schedule in case of an Account Holder having a payment account with KELER related to which account the Account Holder provides authorization to KELER pursuant to these Rules. In case of a credit institution KELER will get the MNB account of the credit institution debited pursuant to the authorization of the Account Holder provided under these Rules.
3. If the debt is not settled in the course of the above steps KELER will sell the assets of the Account Holder taken as bail in a compulsory sale, the resulting amount shall be used to settle the debt.
4. Should the receivables of KELER not or not fully return as a result of the above steps KELER is entitled to terminate the account contract with simultaneous notification of the Supervisory Authority and to institute the possible legal proceedings.

In case of delay in payment the Client is liable to pay default interest until the date of payment.

After the end of the period of termination specified in the account contract KELER will terminate the accounts.

At the time of termination KELER transfers the funds and securities recorded on the account of the Account Holder according to instructions given by the Account Holder; if the transfer is not successful KELER will handle the funds and securities in line with the rules of the procedure on activities completed without client order.

KELER takes possession of dematerialized securities and funds in line with the rules of the procedure on activities completed without client order by transfer to a blocked sub-account to be opened in the name of the holder of the account terminated under KELER's main account.

After settlement of the debt and termination of the account contract KELER will send a written settlement to the Account Holder.

### **2.8.2. General rules for the settlement of Account Holder receivables**

Based on authorization by the Account Holder under these Rules KELER is entitled to debit the payment account of the Account Holder with the fees of KELER and the fees of KELER CCP and with the amount of its outstanding obligations towards the Account Holder, in case of a credit institution to debit through VIBER the cash account thereof kept with the MNB. The assets owned by the Account Holder and deposited with KELER serve as bail for the receivables of KELER from the Account Holder.

The unilateral amendment with negative effect for the Account Holder of contracts pursuant to which KELER provides the services stated in Sections 3 (1) b) and d) can be completed only in the cases herein defined. Such unilateral amendment with negative effect for the Account Holder can be based on:

- a) the change of legislation on or related to the activities, conditions of operations of KELER, orders by the central bank or the change of other mandatory rules on KELER,
- b) the adoption, change of rates and taxes related to the activity of KELER (e.g. taxes), change in the rules on mandatory reserves,
- c) any change in the provision of services by KELER that results in cost increase related to the provision of services that can be evidenced,
- d) if the Board of KELER makes a resolution to increase fees with the inflation rate published by the Central Office of Statistics.

## **2.9. Obligation of cooperation, notifications**

### **2.9.1. Obligation of cooperation**

KELER and the Client shall cooperate in order to continuously and mutually perform contractual obligations, accordingly they provide each other with the information specified herein, and furthermore they undertake to notify each other of any change in their data immediately after becoming aware of them.

### **2.9.2. Notification by KELER**

#### **2.9.2.1. General rules of notification**

KELER will forward notices to the Client electronically, in fax, mail or by phone in accordance with the provisions of the present Rules and the contract concluded with the Client.

KELER shall publish general notices on its website, in the KID system and also electronically on the website of the Supervisory Authority designated for disclosure purposes.

In case of a Client considered Micro enterprise or Consumer in the cases defined in Pft. KELER informs the Client of the change in printed form or on permanent data carrier.

KELER is not liable for damage resulting from the errors of postal delivery.

KELER is not obliged to send documents, notifications to the Client by registered mail or with acknowledgement of receipt. The signed off list of items sent or the postal receipt are proof of sending.

Once the usual mailing time is over KELER is entitled to consider that the addressee received the notification or the document. KELER takes five calendar days as usual mailing time for domestic mails.

In addition to postal delivery, at the case by case written request of the Client KELER also faxes notices to the Client. Faxed notices are considered transmitted if KELER can prove the fax message was sent.

If the electronic communication of regular provision of data by KELER requires encryption or digital authentication KELER informs the Client requiring the data thereof, and the Client is responsible to ensure the existence of necessary technical conditions on its side. KELER shall not take liability for damage resulting from messages that were sent without encryption or digital authentication due to the technical conditions not provided for by the Client.

The Client shall notify KELER in writing without delay but at the latest on the business day following the planned receipt if any notification expected by the Client from KELER is not received in due time. Should the Client fail to meet this obligation of notification KELER assume no liability for any resulting damage.

KELER makes available to the public these Rules, its Fee Schedule and all other regulatory documents relevant to Clients, in case of changes to documents the prevailing versions of documents at its registered office in premises open to customers, on KID, on the electronic system operated by the Supervisory Authority or recognized as such ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)) and ensures that such documents are continuously available on its website.

These Rules and other regulatory documents of KELER are in Hungarian, however KELER continuously publishes on its website the English translation of these Rules, the Fee Schedule, the Procedure on the management of extraordinary situations and the Procedure on complaint management. Upon individual request KELER provides information on the availability of the English version of other public regulatory documents. In case of difference between the Hungarian and the English versions the Hungarian version shall prevail.

Unless other regulations require printing KELER prepares primarily electronically the reports, statements and advices for gas market Clients that can be accessed by FGSZ and gas market Clients on the IT Platform of FGSZ RI and in KID.

Gas market Clients can access banking services related statements and information in the KID system.

#### **2.9.2.2. Provision of bank and securities account information**

In accordance with the agreement between the Account Holder and KELER, KELER provides information in relation to the accounts maintained by it as follows:

- a) on phone or personally by using a password (code) and at the same time giving the company name and the name of the person calling, or
- b) in writing in an application signed by authorized signatories.

KELER is not responsible for any consequences arising from giving information in line with the regulations as referred to above.

The password may be a code consisting of at least 10 characters (letters or numbers) provided by the Account Holder in writing.

KELER will hand over to the Account Holder its response to the written bank information requested duly signed by the Account Holder within 3 business days of receiving the request at the latest.

The fee of providing bank information is contained in the prevailing Fee Schedule of KELER.

In addition to information requested for the audited balance sheet, other written information provided at the request of the Account Holder, related to the bank and securities account held by KELER are also considered bank information.

#### **2.9.3. Notification by the Client**

Any written message for KELER – except for electronic communication - should be sent to the mail box of KELER or to the registered office of KELER or can be submitted personally to the Client Service of KELER in the hours of operation of the Client Service.

In case of electronic communication documents with qualified electronic signatures can be submitted if it is expressly provided for herein.

At the request of the Client KELER provides a certificate confirming receipt of the parcel, KELER will sign the certificate to prove authenticity.

The Client is obliged to advise KELER without delay if:

- a) the Client becomes aware of any important facts, circumstances relating to the contract concluded with KELER and KELER CCP as well as of any change therein,
- b) the Client wishes to involve a settlement agent to provide for the settlement of its transactions,
- c) the Client submits an application for bankruptcy or liquidation proceedings to the court, or liquidation proceedings have been instituted against the Client,
- d) any change occurred in the person of an executive officer or the registered office, branch office, company name or legal status has changed, by submitting the official documents (non-appealable decree on registration by the court of registration or a certificate of incorporation also containing the changes that is not older than 30 days, original or certified copy of the specimen signature),
- e) any change in the registered office, branch office, company name, legal status, by submitting the official documents (non-appealable decree on registration by the court of registration or a certificate of incorporation also containing the changes that is not older than 30 days, original or certified copy of the specimen signature),



- f) any change in the persons authorized to sign,
- g) the Supervisory Authority license of the Client licensed by the Supervisory Authority is withdrawn,
- h) any change in the data provided in relation to the execution of obligation stipulated in the Pmt. ( within 5 business days of becoming aware of the changes).

If KELER finds during the action that the Client did not meet its obligation of notification, KELER contacts the Client in writing and by setting a reasonable deadline subject to announcement to be submitted to the Supervisory Authority or the competent court or initiation of judicial review proceedings at the competent court of registration calls the Client to make the necessary steps.

Should the omitted notification not be sent or other measure not be taken by the deadline set, for the purpose of restoring the lawful operation KELER notifies the Supervisory Authority, BSE, KELER CCP, the competent court and the court of registration on the fact that the Client fails to observe the legal provisions and the provisions of its deed of foundation in respect of its organization and operation.

The Client is liable for any damage arising from the failure to provide notification.

## **2.10. Account statements, transaction confirmations**

### **2.10.1. General rule of account statements**

KELER makes the account statement available to the Account Holder electronically according to the contract concluded with the Account Holder.

KELER considers the account statement regarding cash and securities accounts is accepted by the Account Holder, both in respect of individual items and the balance thereof if the Account Holder does not make any comment in writing regarding the content of the account statement on the day following receipt.

### **2.10.2. Special rules of sending account statement**

KELER will forward the account statement

- a) in KID (if the Account Holder has access to KID) ,
- b) in a message sent in accordance with the SWIFT Rule Book of KELER or in e-mail,
- c) based on separate agreement to the address stated by the Account Holder.

Unless otherwise agreed KELER will send printed statements weekly to the Account Holder.

### **2.10.3. Payment account and securities accounts**

KELER sends an account statement in Hungarian, or at the request of the Account Holder in English, on changes in the balance of the payment account and the securities account and on instructions executed.

The payment account statements containing GIRO daytime clearing include English expressions also.

For securities accounts KELER also prepares a comprehensive account statement for the Account Holder on the closing balance on the last business day of each calendar month.

KELER considers the amount shown in the statement issued on the securities and the payment account the balance of the account.

KELER informs the Account Holder on the amount of the financial transaction tax once a year, in the printed attachment of the account statement for December.

## **2.11. Electronic communication client relationship systems (KID, SWIFT, online services)**

KELER provides for electronic communication through the KID system, in line with the KELER SWIFT Rule Book or the messages sent on the interface available on the website of KELER.

Based on contract concluded the Client can use any or all electronic client relationship systems.

KELER offers the opportunity of forwarding data in encrypted fax and using encrypted electronic mail. Correspondence is through forced TLS connection, and files/mails can be sent in SMIME encrypted mail, or in AES 256 encrypted zip files. In the latter case it is recommended that sensitive data is stored in the encrypted zip only, additionally, the password should be of at least 12 characters, include special characters, and should be changed monthly.

If any electronic communication client relationship system is not available. the Client acknowledges that in case of substituting e-mail advice KELER is not liable for damage arising from sending unencrypted advice or forwarding the advice without digital authentication.

The Account Holder is required to use the same electronic client relationship system for giving related instructions (original instruction, cancellation, suspension, etc.) to an instruction already submitted. KELER will provide all status feedback in the client relationship system used to send the original instruction.

KELER sends end of day account statements and confirmations to the electronic client relationship system that the Account Holder has valid agreement for.

### **2.11.1. Operation of the KID system**

The KID system is to be utilized in line with the method determined in Regulation (EU) 910/2014, the Rules and form contracts of KELER. KELER provides access to the KID system on the Internet also.

Data generated in the KID system are electronic instruments that are provided with an electronic signature with increased safety. Until the contrary is evidenced, data included in an electronic instrument must be considered non-falsified.

The terms of use of the KID terminal are specified in the service agreement and the KID User Manual.

In the communication system it is always the Client that initiates making the contact.

Statements can be inquired after the daily closing but at the latest after 7:00 hours on the next settlement day.

Downloaded statements can also be viewed in KID retrospectively. The balances and daily information show only the information last inquired.

#### **2.11.1.1. Orders refused by KID**

KID will not accept any order with format errors.

The date included in the package (file) identifier of the orders forwarded on the KID terminal is the date of dispatch; one package may contain orders relating to one settlement day only.

If orders arrive for the current day as settlement day after the cut-off times specified, KID will refuse them. The Account Holder has the possibility to correct the refused package within the specified time and to resend the package with a new value date in accordance with the general regulations.

When checking the time of submission the system always takes into account the time indicated on KELER's central computer.

### **2.11.2. Messages in line with KELER SWIFT Rule Book**

As an alternative to KID KELER ensures communication via SWIFT and in e-mail in the cases defined in the KELER SWIFT Rule Book that is to be used in line with the provisions of the regulations and form contracts of KELER.

Instructions can be submitted to the system in line with the rules of the KELER SWIFT Rule Book.

When accepting instructions KELER completes the identification of the instructing Client based on its BIC code.

### **2.11.3. Services that can be accessed via the Internet**

In line with the provisions of these Rules the services of KELER that are published in the Depository Announcement on Internet based services can be accessed via the Internet.

### **2.11.4 Access to T2S services: ICP connectivity, DCP connectivity**

The Account Holder can access T2S in two ways: indirectly and directly. Indirectly connected Account Holders (Indirectly Connected Parties, ICPs) can use the T2S service through KELER, in the communication channels provided by KELER (KID, SWIFT) and with the use of message formats defined by KELER.

Directly connected Account Holders (Directly Connected Parties, DCPs) that have accounts in T2S can access T2S directly, without the use of KELER as technical interface, and can use the T2S securities settlement services directly.

Account Holders with direct connectivity (DCPs) can communicate with the T2S system directly also, but can use KELER also to forward messages (ICP). However, the Account Holder needs to hold the certificates of KELER and the ECB to be DCP in the T2S environment. Individual contract determines the possibility, terms of using the DCP service.

## **2.12. Right of control of KELER regarding the electronic client relationship systems**

KELER is entitled to complete checking at the Client (including onsite checks) as follows:

- a) in order to check compliance with the requirements of the rules,
- b) in case of the Client violating the requirements of the rules,
- c) for the purpose of establishing the increase of risk resulting from participation in the system.

In order to enable KELER to monitor compliance with the rules and procedures on organizational requirements and control mechanisms stated in the Regulatory document, the Client is required to provide the data, information requested by KELER as requested and by the time stated in the request.

In case of errors or abnormal operation of the electronic client relationship systems or events reported by the Client KELER is entitled to check on site the operation of the electronic client relationship system.

### **III. Central depository operation**

#### **3.1. The central depository activities**

KELER performs the following central depository activities:

- allocation of ISIN codes,
- maintaining the central register of basic securities data also containing the central register of securities stopped and cancelled,
- provision of services related to dematerialized securities,
- issuance of an instrument on securities issued in Hungary for the purpose of distribution abroad,
- issuance of an instrument on securities issued abroad for the purpose of distribution in Hungary.

Details on the online applications that can be accessed on the website of KELER can be found in the Depository Announcement on Internet based services.

The Internet based services can be used following separate registration related to the individual online applications.

#### **3.2. Allocation of ISIN identifier**

KELER allocates an ISIN identifier to securities to be issued as physical or dematerialized securities series, in a public or private offer by domestic or foreign issuers in Hungary and for other stock exchange product. The ISIN can be requested by providing the necessary data. The issuer can request an ISIN by completing the form provided to the issuer by KELER or the form available at the website of KELER or in the online application that can be launched at the website on KELER.

For ISIN requests missing data cannot be provided later, incomplete requests will be rejected.

The issuer is obliged to inform KELER on changes to the data provided to KELER in relation to the ISIN.

The BSE is responsible for requesting the ISIN identifier for any derivative instrument traded on the stock exchange, prior to the first trading day of the new instrument.

The issuer is responsible for requesting a new ISIN identifier for additional issuance of securities representing rights also represented by already BSE-listed securities if the BSE-listing for the amount of additional issuance occurs at a point in time other than the generation of the dematerialized securities.

If during the process KELER notices any circumstances that may be grounds for the cancellation of the ISIN identifier, with particular regard to termination without legal successor, the ISIN identifier will be cancelled in line with the provisions stated in the Rules of KELER.

KELER is entitled to allocate an ISIN identifier to international or Euro-Bonds the total quantity of which is deposited or issued at KELER.

Detailed rules for allocation of ISIN identifiers are specified in the Depository Announcement on the Allocation and cancellation of ISIN identifiers. The ISIN identifiers allocated are published on KELER's website.

KELER is responsible for the accurate allocation, registration of the ISIN identifier but is not responsible for the content of the data provided and for any damage from such data being inaccurate or invalid.

### **3.3. Central register of securities:**

#### **3.3.1. Scope of securities registered**

In the frame of the central securities registration activity KELER registers the following data available to KELER:

- data of securities publicly issued in Hungary,
- data of securities issued privately regarding which KELER concluded an agreement with the issuer for the provision of data,
- list of securities forbidden and cancelled that are in the scope of the Tpt and are reported to KELER.

For dematerialized securities KELER states the following data in the list of ISIN identifiers published on its website:

- the type of the dematerialized security herein stated,
- in the case of dematerialized share any restriction on the transfer of the equity series,
- reference to whether the security is produced.

If related to the equity series KELER states transfer restriction, the interested parties can find the details of the transfer restriction in the bye-laws of the company limited by shares.

Upon ISIN identifier application KELER puts the dematerialized security requested to be produced by the issuer in the following categories:

- security type 'A': dematerialized security stated in the regulation (e.g. share, bond, etc.);
- security type 'B': dematerialized security that is the underlying product or the combination of the underlying products of a security of type 'A' and is issued by a regulated market, BSE MTF market or MTS player;
- security type 'C': all other dematerialized security issued in line with the applicable provisions of the Civil Code that is not in the category of security type 'A' or 'B'.

The above securities categories are created for the purposes of these Rules only.

#### **3.3.2. Registration of securities issued in Hungary**

Pursuant to applicable regulatory provisions the issuer is obliged to report to KELER as an organization appointed to allocate ISIN identifiers without delay any change in the data of the securities series or the issuer.

There is an obligation to report in particular the following changes:

- a) with the application of new ISIN:
  - change in the method of producing the securities,
  - change in currency,
  - change in nominal value.
- b) without the application of new ISIN:

- change in nominal value issued,
- termination of series.

If the change is the result of a decision by the issuer, in case of equities changes are to be reported without delay once the decision is registered by the court of registration, in case of other securities changes are to be reported immediately after the decision is made.

In case of dematerialized securities simultaneously with reporting, in accordance with the provisions of prevailing regulations, the issuer must give instruction on the method of implementation of the change in the securities series.

If in the course of operation KELER finds that the issuer did not meet the obligation of reporting or failed to give instruction on the implementation of change in respect of the securities, KELER will contact the issuer in writing and calls it to take the necessary measures.

Should the measures that were failed to be taken are not taken within the applicable deadline, for the purpose of restoring the lawful operation of the Issuer KELER informs the Supervisory Authority, the competent court and the court of registration on the fact that the Issuer fails to observe the legal provisions applicable to the securities it issued.

The issuer shall take liability for failure to comply with the obligation to report changes and to take measures.

KELER shall also be entitled to call the Client's attention to the measures to be taken for implementation of the change and set a reasonable deadline.

Upon the acceptance of physical debt securities for custody at KELER and the creation of dematerialized securities in the central securities account the issuer is required to provide to KELER on an electronic data carrier, in the form requested by KELER the due dates of planned corporate actions with payments in relation to the securities series.

In the case of dematerialized securities series KELER records and registers the due dates of planned events as the static data of the securities series in line with the schedule stated. As a rule KELER registers the scheduled due payments after the due date as payments made. The issuer is required to request the change of certificate in advance in order to modify the due dates previously scheduled.

KELER is entitled to provide data registered by it both inside and outside the country.

### **3.3.3. Central register of securities forbidden and declared invalid**

Based on the public notary decrees arriving to KELER, KELER records the securities in the scope of the Tpt. that are being forbidden or declared invalid. Public notary decrees on securities involved in procedures to declare them invalid are available on the website of the Magyar Országos Közjegyzői Kamara ( National Chamber of Hungarian Public Notaries).

KELER assumes no liability for authenticity, content of the data, such data are for information purposes.

### **3.3.4 Records in T2S of securities issued in Hungary**

In line with the recommendation of the ECB, KELER makes available to Account Holders the master data of securities it issued in Hungary in order to settle transactions in T2S. The group of securities recorded in T2S and the detailed rules on registering ISIN codes in T2S can be found in the KELER Depository Announcement „T2S services”.

## **3.4. Services related to dematerialized securities**

### 3.4.1. General rules

In case of dematerialized securities KELER performs services in respect of demat events on the basis of the contract concluded with the issuer and in respect of securities accounts on the basis of contracts concluded with the Clients.

In the course of operation related to dematerialized securities KELER acts in line with the requirements of Government Order 284/2001. (XII. 26.).

The precondition of undertaking services related to dematerialized securities is compliance with applicable legal regulations and meeting the obligations for issuers defined in the regulations of KELER .

KELER accepts and keeps on the central securities account all dematerialized securities that are in compliance with the provisions of these Rules and are issued publicly or privately in Hungary.

Dematerialized securities are created by crediting them to the securities account pursuant to the order of the issuer. The order by the issuer includes the value date of crediting the securities to the account.

KELER, jointly with the institutions keeping securities accounts and having a contractual relationship with KELER ensure that the owner of the dematerialized securities can be established any time.

KELER publishes the detailed rules on the issuance of securities in dematerialized form in the Depository Announcement on The management of dematerialized securities.

Clients can provide to KELER the request on services related to dematerialized securities and the documents required for the services requested

- a) in printed form: by mail or personally submitted at the Client Service of KELER,
- b) as electronic document: sent to e-mail address [iktato@keler.hu](mailto:iktato@keler.hu) or
- c) submitted in the eDEMAT online application available at the website of KELER.

KELER accepts documents from non-resident Clients in English or with certified Hungarian translation, KELER accepts translations as certified if the translation is prepared by a person authorized to make certified translations at the place the translation is made.

The Certificate can be prepared in the Hungarian language or in two languages, one of which must be the Hungarian language. In the case of bilingual Certificate the Hungarian text prevails.

KELER is entitled to charge different fees for demat events depending upon the method of receipt of the documents by KELER.

KELER checks that the documents submitted comply with all legal requirements and contain all data, whether the event related to the dematerialized securities series can be executed based on the documents, that the documents support the certificate issued on the dematerialized securities. The condition of the execution of a demat event related to equities is registration of the underlying company law change by the court of registration.

Prior to making credit entries to the central securities accounts KELER matches the data of the order of the issuer and the data stated in the documents made available by the issuer. In case of any mismatch KELER requests the issuer to correct the data or provide the missing data.

If data correction is not completed or the missing data are not provided by the deadline stated by KELER, KELER rejects to issue the dematerialized securities.

The issuer is liable for the authenticity of the data provided in the order of the issuer.

In order to issue the securities the issuer issues a Certificate in one copy that is not considered security and deposits it with KELER.

Modification in the data of securities recorded based on mistaken data provided by the issuer in the certificate on the securities can be completed only based on a new certificate submitted.

KELER does not accept any liability for the authenticity of data in documents received in relation to the services regarding dematerialized securities, for compliance with legal regulations of such data, the party providing the document concerned is fully responsible therefor.

### **3.4.2. Central securities accounts**

KELER maintains a central securities account on the dematerialized securities by security type, series and securities managers, broken down by own and Clients' securities. Pursuant to Section 11 (3) of the Tpt. KELER maintains a central securities account also for the issuer.

With previous notification to the issuer, KELER terminates services for maintaining a central securities account in relation to the securities concerned if the following conditions are met:

- a) settlement of existing transactions, debt as well as assignment of the total quantity of securities recorded on the accounts for the securities concerned,
- b) cancellation of the dematerialized securities,
- c) termination of the license to manage securities accounts,
- d) following consolidation as provided for in the Tpt. and data archiving.

### **3.4.3. Methods of executing demat events**

Depending upon the method of involvement of the issuer demat events can be executed as follows:

- a) personally managed,
- b) electronically executed,
  - ba) with the use of the KID system,
  - bb) with the use of the eDemat system, for issuers with electronic signature rights,
  - bc) with the use of the eDemat system, for issuers with no electronic signature rights,
- c) remotely managed.

Detailed rules of demat event execution are stated in the relevant Depository Announcement.

#### **3.4.3.1. Personally managed demat event:**

Completed in the personal presence of the issuer, in the possession of documents previously made available, at a time agreed by KELER, with the printed and duly signed instructions of the issuer, by a committee formed by the representatives of KELER and the issuer, at the head office of KELER.

#### **3.4.3.2. Electronically executed demat event:**

##### **3.4.3.2.1. With the use of KID:**



Exclusively for issuers with KID system, completed without the personal presence of the issuer, in possession of documents previously made available, by issuer instructions data submitted in KID, with the certificate being in printed form, duly signed and mailed or delivered with courier.

In the system of KID the following services can be used:

- creation
- over issuance
- cancellation of entire series.

#### **3.4.3.2.2. With the use of eDEMAT system for issuers with electronic signature authorization**

For issuers registered in the eDEMAT system, by their authorized representatives, without personal presence by the issuer, by submitting electronic documents and the data of the issuer instruction in eDEMAT system and by submitting the electronically signed certificate.

The following services can be used in eDEMAT:

- creation,
- over issuance,
- cancellation of entire series,
- change of certificate.

#### **3.4.3.2.3. With the use of eDEMAT system, for issuers with no electronic signature authorization**

For issuers registered in the eDEMAT system, by their authorized representatives, without personal presence by the issuer, by submitting electronic documents and the data of the issuer instruction in eDEMAT system and by submitting the printed, duly signed certificate.

The following services can be used in eDEMAT:

- creation,
- over issuance,
- cancellation of entire series,
- change of certificate.

#### **3.4.3.3. Remotely managed demat event**

The remotely managed demat event is executed without personal presence by the issuer, with documents previously made available to KELER, the duly signed certificate is submitted in printed form.

The following services can be used in this way:

- cancellation of entire series,
- change of certificate .

If the demat event involves the invalidation of a Certificate issued on earlier issued dematerialized securities, the issuer is to provide to KELER its declaration thereon.

Only one demat Certificate in force can be linked to one securities series.

The number of securities in a dematerialized series can be a positive whole number only.

#### **3.4.4. Groups of services related to dematerialized securities**

- a) Services related to dematerialized securities with account movement:

- aa) first issuance,
  - ab) over-issuance,
  - ac) conversion,
  - ad) squeeze out,
  - ae) cancellation of entire series
  - af) partial cancellation
- b) Services related to dematerialized securities without account movement:
- ba) Change of certificate in line with the general rules,
  - bb) Change of certificate due to investment unit transformation,
  - bc) Subsequent change of certificate.

#### **3.4.4.1. Services related to dematerialized securities with account movement**

Prior to crediting the securities on the central securities accounts KELER checks that data provided by the issuer match, in case of mismatch KELER requests the issuer to correct data. KELER does not check whether the data provided by the issuer in relation to the credit entry to the account are correct, KELER checks only whether the account number instructed by the issuer exists and whether instructions related to dematerialized securities can be executed on that account.

If a mismatch related to the data submitted is detected or the Client named in the data provided in relation to the credit entry on the account has no direct or indirect securities account maintenance legal relationship with KELER, KELER rejects to credit the dematerialized securities on the central securities account.

The issuer is liable for the authenticity of the data provided.

In case of demat events with account movements the issuer instruction consists of:

- the certificate that is not a security and is issued in compliance with legal regulations and
- data required to complete the credit entry.

In case of demat events with account movements the account credit data form inseparable part of the Certificate.

In the course of the demat event executed by a committee the issuer provides to KELER the data required to complete the credit entry in the standard form required by KELER on a data carrier with a list attached on the content of the data carrier.

In case of a demat event executed in the KID system or via interface operated by KELER account details required for both securities master data and beneficiary securities accounts are controlled.

Simultaneously with the execution of the change KELER invalidates the certificate that is not a security and, the time of invalidation will be shown. KELER does not discard invalidated certificates.

##### **3.4.4.1.1. First issuance - creation**

Creation of a securities series is considered first issuance if the securities have no security precedent created in any form.

The issuer is entitled to define the date of creation of the dematerialized securities (value date) as a date other than the date when the data of the securities are entered into the computer data system; however, the value date cannot be earlier than the date of entering the data of the securities into the computer system.

The compulsory elements in terms of content of the certificate necessary for the creation of dematerialized securities are contained in the applicable regulations.

#### **3.4.4.1.2. Over-issuance**

Increase of the originally issued number of pieces and series value of dematerialized securities series is considered over-issuance.

In case of over-issuance the issuer shall advise only the number of pieces involved in the increase. The Certificate issued earlier on the dematerialized securities series is to be validated in line with the rules of certificate invalidation once the over-issuance is successfully executed.

##### **3.4.4.1.2.1. Over-issuance (in case of BSE-listed securities series)**

The issuer of securities included in the List of contracts of the BSE in case of over-issuance of securities representing the same rights as the already listed securities is obliged to initiate the BSE-listing of the over-issued securities in line with the applicable regulations of the BSE. To this end the issuer is required to submit the instruction to KELER at least three business days prior to the first trading day of the over-issued securities at the BSE. The issuer is required to state the first BSE trading day as the value date of the issuer instruction.

In the case of over-issuance related to securities already included in the List of contracts of the BSE, if the listing at the BSE of the securities issued later is not completed simultaneously with over-issuance, for the period between the creation of securities and the BSE-listing the issuer is obliged to request the creation following request of a new ISIN identifier for the over-issuance as the settlement of BSE trades in newly issued but not yet BSE-listed securities is not possible.

On the day of BSE-listing of the newly issued securities the newly issued securities (over-issued amount) shall be converted to securities representing equal rights as the securities already listed on the BSE, that is the two securities series will be consolidated and KELER cancels the temporary ISIN identifier issued.

#### **3.4.4.1.3. Securities conversion**

In the case of securities series conversion the legal predecessor securities series with an ISIN is converted to the legal successor securities series.

Once the conversion is successfully completed the legal predecessor securities series is deleted from both the securities and central securities account, the legal successor securities series is created as the new series or created as the over-issuance of an already existing securities series.

The condition of the conversion process is that the total nominal value and the currency of the legal predecessor securities series are identical to the total nominal value and currency of the legal successor securities series. If the total nominal values of the legal predecessor and the legal successor securities series are not identical, the conversion can be completed if the nominal value of the legal successor securities series is the whole number multiple of the nominal value of the legal predecessor securities series. Additionally, the issuer is required to submit the certificate to KELER three business days prior to the value date and to attend personally the securities conversion process completed in committee.

In the conversion process by accepting these Rules the issuer authorizes KELER to prepare and process the account credit entries data forming part of the issuer instruction related to the

legal successor securities series, furthermore to invalidate on the value date the certificate deposited earlier on the legal predecessor securities series.

In case of conversion the legal successor securities are credited to the securities account where the legal predecessor securities are cancelled. The conversion has no impact on rights related to the securities, therefore for example account blockings continue to be in force for the legal successor securities.

If the total nominal value of the securities series remains unchanged but the nominal value of individual securities increases and the quantity of securities decreases, the above rules on conversion cannot be applied. In this case KELER cancels and creates securities to complete the change.

#### **3.4.4.1.3.1. Special rules on the conversion of physically produced securities series into dematerialized securities series**

The conversion process can be completed if KELER accepted the legal predecessor securities series produced physically into fungible custody. If the securities of the legal predecessor securities series are not fully converted when submitted, the issuer is required to open a securities account with KELER until the value date of the conversion.

In case of conversion the dematerialized securities can be generated after the physical securities are declared invalid.

The issuer is liable to collect, invalidate and destroy physical securities instructed to be converted, KELER will not check collection, invalidation and destruction.

#### **3.4.4.1.3.2. Special rules on the conversion of dematerialized equity series into physical equity series**

KELER executes the conversion of the dematerialized equity series (legal predecessor equity series) into physical equity series (legal successor equity series) by cancelling the legal predecessor equity series on the value date stated by the issuer. The issuer applies for an ISIN identifier for the legal successor equity series.

Not later than on the value date of the conversion the issuer is required to state to KELER that it took measures to produce the physical equities in a quantity corresponding to the quantity of the dematerialized shares.

If the issuer mandates KELER to safekeep the physical share, simultaneously with the cancellation of the dematerialized shares in the central securities account and with the crediting of the physical shares to the security custody account the physical share is considered to be handed over. In the case of conversion the legal successor shares are credited to the security accounts where the legal predecessor shares were cancelled.

#### **3.4.4.1.4. Procedure in case of squeezing out**

If pursuant to the rules of the Tpt. on acquiring controlling interest by acquiring more than 90 % of the voting rights as a result of the purchase bid the person making the purchase bid exercises the right of purchase (squeezing out) and the shareholder charged with an obligation to sell fails to transfer the shares subject to the purchase right to the person making the purchase bid, the issuer will declare such shares invalid (the number of pieces involved will be stated).

The issuer shall decide on the issuance of new shares instead of the shares declared invalid.

After making decisions on invalidation and on the issuance of new shares and following submission of the decree of the Supervisory Authority concerning the public purchase bid, in accordance with the provisions of Government Decree 284/2001 (XII. 26.) KELER shall cancel

the invalidated shares from the central securities accounts at the value date instructed by the issuer, i.e. after the securities are cancelled on the securities account by the securities account manager and in line with the quantities cancelled thereby. The deadlines applicable in the course of invalidation and the duties of individual participants will be documented by KELER in procedures consulted with the issuer.

Based on the procedure KELER will publish a notice on KID. The issuer shall publish a notice on the invalidation according to the provisions of the procedure and related procedures according to the provisions of rules relating to the issuer.

In case of equity series listed on the BSE the value date of partial cancellation is the last settlement date of the share concerned calculated by taking into account the last trading day and the settlement cycle of the share.

After submission of the required documents, in line with the rules of partial cancellation and the rules of certificate invalidation KELER first cancels from the securities accounts the invalidated dematerialized securities with the value date determined by the issuer, then new securities are created according to the rules on over-issuance.

Following invalidation KELER generates the new shares based on the Certificate for the generation of dematerialized securities and the instructions of the issuer.

#### **3.4.4.1.5. Management of dematerialized securities that cannot be identified by the securities account manager**

As of 15 March, 2014 if in the course of creation or over-issuance of dematerialized securities the securities account manager cannot identify the beneficiary of the securities that KELER credited to the account manager, thus it cannot credit the securities to the beneficiary, the account manager can transfer back the securities to a dedicated securities account kept by KELER for this purpose. The condition of transfer back is that KELER concludes with the issuer of the security a specific contract for the registration of securities that the securities account manager could not identify.

#### **3.4.4.1.6. Cancellation of dematerialized securities**

##### **3.4.4.1.6.1. Cancellation of dematerialized securities (for reasons other than maturity)**

KELER cancels dematerialized securities series pursuant to the cancellation request submitted by the issuer or its legal successor.

Simultaneously with ordering the demat event the issuer submits documents to evidence that the conditions of the cancellation of the securities series from the central securities account are fulfilled.

KELER executes cancellation based on the request and documents supporting the request.

The issuer shall provide written statement to KELER on the termination of the rights and obligations included in the dematerialized security.

Based on the notification of the issuer KELER advises securities account managers on the expected value date of cancellation of the dematerialized securities series from the central securities accounts.

On the basis of this notification and in line with the provisions of its procedures the securities account manager is obliged to cancel the dematerialized securities from the securities accounts kept with it.

Before cancellation of the dematerialized securities series KELER and the securities account manager shall archive data relating to the dematerialized securities series concerned and the software displaying data for a period of 20 years.

The data consists of the basic data of the securities and the closing data of the account.

The securities series will cease to exist when they are cancelled on both the securities account and the central securities account.

KELER notifies the issuer on the cancellation completed. In the case of a share cancellation can be completed only based on a non-appealable decree of the court of registration or a certificate of incorporation containing the changes and not older than 30 days. In the case of cancellation of debt securities prior to expiry the issuer has to state that the conditions of cancellation prior to expiry are met.

#### **3.4.4.1.6.2. Cancellation of the security due to expiry**

KELER registers the expiry date of security with expiry based on the Certificate issued on the securities and publishes data available to it, including the case when the date of payment is different than the date of expiry.

The cancellation request of the issuer is required for the cancellation on the expiry date of securities with expiry date. The value date of cancellation cannot be earlier than the date of expiry.

#### **3.4.4.1.7. Partial cancellation of dematerialized securities series**

Reduction in the quantity of dematerialized securities series kept in central securities accounts is implemented with partial cancellation

With partial cancellation the ISIN identifier of the dematerialized securities series does not change.

Partial cancellation can be completed if the issuer defines what amount of securities is to be withdrawn on which securities account of which clients and provided securities account managers co-operate in the execution of the partial cancellation.

KELER executes partial cancellation of dematerialized securities series only with the personal involvement of the issuer.

This process does not apply to the withdrawal of open-ended investment units due to their continuous distribution.

#### **3.4.4.2. Services related to the dematerialized security without account movement**

##### **3.4.4.2.1. Replacement of certificate in line with the general rules**

The data of the certificate issued on the dematerialized security kept in the central securities accounts is modified by replacing the certificate deposited with KELER relating to the securities series. The replacement of the certificate is a demat event with no change to the quantity of securities in the securities account that may be due to the change of the data of the security series (e.g. term; security name; interest rate; yield payment; assignment; change in related rights, change in investment fund name) or the change in the issuer data (e.g. issuer name, address change).

In the case of demat events with no account movement the issuer order is represented by the certificate that is not qualified security and is issued in line with the requirements of legislation. The new certificate includes the reason and value date of the replacement (without any change to the data and value date of the most recent demat event with account movement).

In the case of demat event executed at the online interface operated by KELER the master data

of securities are provided in a controlled manner. KELER confirms the execution of the remotely managed certificate replacement to the issuer.

Simultaneously with the execution of the change KELER invalidates the certificate that is not qualified security by stating the date of invalidation. KELER does not discard the invalidated Certificate.

#### **3.4.4.2.2. Certificate replacement in the case of conversion of investment units**

Upon maturity the closed-end investment fund can be converted into an open-ended investment fund by replacing the certificate. The new certificate is to be issued for the investment unit series issued by the open-ended investment fund.

Point 3.4.7.2. of these Rules contains the detailed rules of conversion.

#### **3.4.4.2.3. Subsequent replacement of certificate**

If KELER becomes aware that the issuer is unable or only partially able to meet the due payments, it requires the issuer to state whether it will make payment in line with the provisions of the certificate. If the issuer states that it will not comply with the scheduled due dates, KELER calls the issuer to request the replacement of the certificate without delay. KELER informs the Supervisory Authority on the call made.

KELER applies the process of subsequent certificate replacement if the issuer fails to meet the due payment schedule stated in the certificate issued related to the dematerialized securities and it does not request the replacement of the certificate issued on the security series due to the new schedule.

Should the issuer fail to request the replacement of the certificate by the deadline stated by KELER, in order to avoid injury to the parties entitled to receive the due payments it cancels the due payment event in the system. At the same time KELER repeatedly draws the attention of the issuer to execute the replacement of the certificate without delay to prevent the violation of legislation. At the same time KELER repeatedly informs the Supervisory Authority.

#### **3.4.5. Invalidation of the dematerialized certificate**

KELER invalidates the certificate deposited relating to the dematerialized security immediately after the execution of over-issuance, partial cancellation, replacement of certificate and cancellation and records the time of invalidation.

The invalidated certificate cannot be discarded.

Should KELER become aware of the fact that the issuer was deleted from the company register with final effect without the issuer giving prior instruction to cancel the securities, KELER will cancel from the central securities accounts the dematerialized securities issued by the terminated issuer after the cancellation of the issuer from the company register with final effect.

In this case KELER will publish the value date of invalidation (cancellation) of the dematerialized securities on its official website and will notify the securities account managers on the value date of the cancellation in a notice published on KID. KELER will invalidate the certificate on the date announced.

#### **3.4.6. Rules on securities with maturity**

In the case of security with maturity from the day after the record date herein determined until

the due date account operations can be requested for the entire securities quantity in line with the following rules.

Based on the statement of the issuer, on the date the statement is submitted KELER cancels the expired security from the securities accounts if it can be evidenced that the issuer met the related payment obligation. .

In the case of expired securities series related to which the issuer failed to meet the past due obligation, no account operations can be completed until the time of cancellation from the securities account.

If the issuer failed to meet the payment obligation due on or after the maturity date but wants to allow account operations to be executed after the maturity date also, the issuer is required to inform KELER on this need. In this case KELER applies technical maturity based on the individual rules of procedure consulted with the issuer. KELER announces the application of the technical maturity and the related date. KELER passes the costs arising from the setting of the technical maturity to the issuer.

If the issuer failed to meet the payment obligation due after the maturity date, the securities account manager of the party entitled to receive payment can request to allow account operations related to the securities and on the value date it determines. KELER informs the issuer on the request. KELER allows account operations to be executed on the value date stated in the request and related to the securities concerned if the account manager receiving the securities validated and the Supervisor Authority acknowledged the account operation. KELER passes the costs of allowing the account operations to be made to the securities account manager of the party entitled to receive payment.

### **3.4.7. Management of investment fund units**

The units of the investment fund remain registered in the securities accounts until the investment fund is cancelled by the Supervisory Authority from its records.

#### **3.4.7.1. Management of units issued by open-ended investment funds**

KELER accepts units issued by open-ended investment funds pursuant to the agreement executed by the fund manager on behalf of the issuer and the party in charge of daily creation, cancellation stated as the authorized party in the ancillary agreement on open-ended investment fund units.

In the case of an investment unit issued by an open-ended investment fund, KELER creates and cancels daily the investment units at the instruction of the Account holder stated as the party authorized to create and cancel investment units in the ancillary agreement on open-ended investment fund units.

To this end KELER sets the rights necessary to create and cancel investment units for the Account holder authorized in the ancillary agreement.

Authorization to create and cancel a securities series daily can be given to one party only.

At subscription KELER displays the quantity subscribed of the investment units on central securities accounts according to regulations relating to the first issuance. As in case of open-ended investment fund units the number of pieces and the total nominal value is not shown on the demat certificate, the certificate is not changed in these cases in relation to daily creation and cancellation.

The authorized Account holder can submit daily creation and cancellation orders

- on the form for this purpose,



- in the KID system in the case of FOP orders only until the time KELER informs the authorized Account holder of the termination of this method to submit orders and the future date of termination,
- indirectly with settlement transactions automatically created by the WARP system based on the summary of trade instructions of partners with distributor role in WARP and sent by WARP to the account management system of KELER on behalf of the authorized Account holder (Settlement Party).

For DVP creation and cancellation orders, in addition to the orders by the Account holder referred to above, the joint order of the counterparty in the transaction (Distributor) is also required.

In the case of FOP daily creations the investment units are credited to the dematerialized securities creation sub-accounts of the Clients stated in the order of the authorized Account holder. In the case of DVP creation transaction, following creation in the dematerialized securities creation sub-account of the authorized Account holder, the investment units are automatically transferred to the securities sub-account stated in the instruction.

In the case of daily cancellation of the investment units, the investment units to be cancelled are to be transferred to the dedicated sub-account (in a so-called demat transfer) of the authorized Account holder and Account holder can request the investment units cancellation in that account.

When redemption instructions submitted in WARP are settled the investment units are transferred and cancelled automatically in the distributor sub-account for both FOP and DVP settlement.

If the securities or cash cover required for settlement is not available in the Account Holder's account, KELER puts the transaction in a queue and if cover is insufficient after the day concerned the transaction is recycled for 20 business days.

FOP investment unit creation and cancellation orders cannot be withdrawn. The Account holder submitting the original order can withdraw (cancel) DVP investment unit creation and cancellation orders on the form used for this purpose.

If the investment fund became illiquid, the fund manager decided to segregate investment units representing assets of the investment fund, it is required to inform KELER:

- on the decision made,
- the series of investment units involved in segregation,
- on the number of pieces of the segregated investment units, and
- on the distribution among investors.

Simultaneously the investment fund manager is to initiate the segregation of the investment unit involved in segregation from the series and the creation of the segregated investment unit series designated with series sign 'IL'.

If the investment fund manager made a decision on the partial or full termination of the segregation, it is obliged to inform KELER on:

- the decision made,
- the investment unit series concerned,
- the number of pieces of the segregated investment units, and
- on the distribution among investors

and requests the partial cancellation of investment units with series sign 'IL' or the full cancellation of the series and converting back the investment units concerned into the investment unit series involved in the segregation.

### **3.4.7.2. Conversion of f closed-end investment fund into open-ended**

If the due dates related to the investment unit or the terms of fulfillment are subsequently changed, the fund manager of the investment unit is required to inform KELER in writing on the changes at least fifteen settlement days before the maturity date of the closed-end fund.

In the dissolution of the closed-end fund the issuer of the investment unit informs KELER in writing on the date when yield and capital are repaid. KELER publishes the due date in KID .

If the issuer wishes to convert the investment fund units and maintain the continuous distribution of closed-end investment fund units, the issuer is required to provide to KELER the certificate relating to the open-ended investment units not later than the 4<sup>th</sup> business day prior to maturity and conclude a trilateral agreement on the daily creation and cancellation of the open-ended investment units with KELER and the Client authorized to create and cancel the units.

KELER executes this conversion process as remotely managed demat event or, upon request by the issuer, as demat event with personal presence by the issuer. The units of the open-ended investment fund created with conversion will be converted on the maturity date (D) of the closed-end fund.

The preferential days related to the conversion are determined in Section VIII. of these Rules.

### **3.4.8. Special rules on interim shares**

Interim shares are managed by KELER according to paid amount levels separately for each securities series. Interim shares in the same paid amount level constitute an interim share series. In case of any further payment effected to an interim share all shares affected by the payment will be deleted from the series in the earlier paid amount level and they will be generated in the series belonging to the higher paid amount level.

KELER will not verify payments, the issuer shall take liability related to interim shares issued, generated in excess to the financial contribution actually made.

### **3.4.9. Special rules on structured products**

Together with the Final Terms of the structured product the distributor of the structured product in Hungary has to submit an application regarding Stock Exchange settlement, on the form provided by KELER, until the 5th trading day preceding the first day of Stock Exchange trading of the structured product. KELER issues a statement on acceptance.

The structured product may be terminated on the occurrence of a certain event, on meeting conditions, upon the expiry of a period, maturity day or at the time previously defined by the issuer.

Upon occurrence of the structured product case of termination (except for the expiry of the structured product) defined in the Final Terms the issuer or the distributor of the structured product is obliged to inform the BSE and KELER without delay (on phone and in fax) after becoming aware thereof.

#### **IV. General depository operation**

##### **4.1. Custody of physical securities**

###### **4.1.1. Fungible custody of securities issued in Hungary**

KELER provides custody services for physical securities issued in Hungary either as fungible deposit (hereinafter: fungible custody) or as deposit (hereinafter: individual deposit).

The condition of accepting securities privately issued in Hungary for fungible custody is that the issuer and KELER agree in writing on the continuous reporting of data relating to the securities issued.

The condition of KELER signing the agreement is that the issuer makes available to KELER all documents that are necessary for the acceptance of the securities and the documents are in compliance with the regulations of KELER.

The list of the required documents is contained in the document package sent by KELER to the issuer.

After reviewing the available documents KELER will issue a declaration of acceptance for fungible custody of the physical securities.

###### **4.1.2. Custody of securities issued abroad**

KELER keeps physical securities issued abroad, delivered to its depository exclusively as individual deposit.

###### **4.1.3. Delivering securities for fungible custody to the Depository**

###### **4.1.3.1. Receipt of the securities**

Securities can be delivered to the Depository in a package properly sealed. A package properly sealed means an envelope of the delivering party closed with a seal or any other wrapping material equivalent to it in terms of quality and safety (e.g. disposable plastic safety bag specifically created for delivering securities).

The Depository will sign and stamp the delivery note attached to the package to acknowledge receipt of the securities in a properly sealed package with alleged content.

In case of a delivering party outside Budapest and securities delivered directly from the printing house the place of delivery of the securities is the Depository of KELER.

KELER does not accept delivery of compensation notes.

#### **4.1.3.2. Receipt of securities**

##### **4.1.3.2.1. Registration of receipt of securities**

KELER will credit the securities delivered to the Depository to the securities account only after a detailed verification. The detailed verification is completed by a committee authorized for this purpose.

The committee opens and checks one by one the content of the package properly sealed. The Account Holder is obliged to accept the result of the receipt by the committee.

Securities that are not suitable for receipt, except for the securities subject to verification by a document expert or damaged securities delivered for replacement will be returned by the Depository to the delivering party.

The Client handing over the package shall be liable for forged or falsified securities.

##### **4.1.3.2.2. Verification of securities**

All securities are subject to verification as follows:

- securities are complete and not damaged formally,
- securities are suitable for storing,
- the rider is an inseparable part of the securities,
- the serial number of the securities is valid (it is included in the serial numbers given by the issuer, furthermore it is not prohibited or declared null and void by a notary public),
- the blank endorsement of the securities is in line with regulations and the chain of the preceding endorsements is without errors and complete formally.

#### **4.1.4. Procedure in case of securities suspected to be falsified**

If during registration of the securities received the Depository finds securities suspected to be falsified, KELER will immediately notify the issuer and the Client delivering the securities.

KELER will not credit any securities suspected to be falsified to securities accounts, such securities will be returned to the sender on the settlement day following receipt.

The issuer of the securities is obliged to take measures to investigate the validity of the securities suspected to be falsified (investigation by a document expert).

#### **4.1.5. Crediting of the securities received**

KELER will credit to the securities account on the day of receipt the securities accepted as marketable by the Committee and not being subject to destroying procedure in the authority of notary public.

If a Client requests the securities delivered to the Depository to be credited to the account of another Account Holder, simultaneously with the delivery to the Depository it is obliged to send one copy of the delivery note it issued to the holder of the account to be credited.

The Depository will acknowledge receipt and registration of the securities by issuing a depository delivery certificate. The delivery to the Depository will be legally effective when securities are credited to the securities account.

#### **4.1.6. Procedure in case of securities subject to destroying (stoppage) by a notary public**

If the securities deposited in the Depository or delivered to the Depository were stopped by a notary public KELER will immediately advise the acting notary public, the issuer and the Client that delivered the securities.

If KELER has not yet credited the securities received to the securities account, it will immediately return the amount stopped to the Account Holder.

If KELER already credited the securities received to the securities account (i.e. the proceeding by the notary public relates to securities already registered by KELER on the account), KELER will deliver the securities with the stopped serial numbers to the Account Holder.

If securities can be segregated within the sub-account KELER sends a written call to the delivering Client to take the following measures within ten settlement days:

- a) apply for the free of charge release from the Depository of the securities subject to the proceeding, or
- b) release KELER from the securities secret obligations pursuant to Section 118 (2) of the Bszt (that is authorize KELER to provide data relating to the Account Holder to the notary public issuing the order in the interest of repealing the stoppage).

Should the above deadline pass without any result, i.e. the Account Holder fails to comply with KELER's call, KELER will deliver the securities concerned to the Client that delivered them, at the expense of the Account Holder.

If the decree on stoppage is repealed, KELER will put back the securities segregated to the securities account of the Account Holder.

#### **4.1.7. Procedure in case of securities declared invalid by a notary public**

If the securities transferred to the Depository were declared invalid KELER will immediately advise the acting notary public, the issuer and the Client delivering the securities.

If KELER has not yet credited the securities received to the securities account, it will immediately return the amount declared invalid to the Account Holder.

If securities already deposited in the Depository are declared invalid by the notary public after securities are credited to the securities account, KELER will proceed as follows:

If the amount declared invalid is available on the securities account of the Client, KELER will immediately deliver the securities declared invalid to the Account Holder free of charge.

If securities cannot be released KELER will call the Client that delivered the securities that were declared invalid to ensure within ten settlement days crediting to the securities account of marketable securities representing the same rights and in the same number of denomination units as the amount of securities declared invalid.

If the Account Holder complies with the call, following receipt of the marketable securities by the Depository, the Depository will release free of charge to the Account Holder the securities that were declared invalid.

#### **4.1.8. Handling of securities declared invalid by the issuer**

If a securities series or a part thereof in fungible custody at KELER is declared invalid by the issuer, KELER shall act as follows:

- KELER will inform the custodians in the KID system of the date when securities were declared invalid;

- in case of securities that can be delivered KELER will give the business day when securities will be delivered/released to the Account Holder. Such securities will be released without submitting a request of delivery;
- in case of securities that cannot be delivered due to inappropriate composition of denomination units KELER shall be entitled to hand over to the issuer 10 days after publishing the notice in KID and on the website of KELER. Simultaneously with the delivery of such securities KELER will hand over to the issuer the data of custodians and the data of securities managed by them.

#### **4.1.9. Procedure for handling documents attached to securities**

KELER does not deal with any power of attorney, deed, decree, sentence, license by the guardianship court etc. attached to the securities. Such documents will be returned by the Depository to the sender without delay.

#### **4.1.10. Release of securities**

##### **4.1.10.1. Application for release**

Release of securities can be applied for by submitting to KELER the form standardized for this purpose. In case of fungible securities KELER blocks the amount to be released until delivery following receipt of the release application.

No release may be applied for in case of securities immobilized during the total term.

Any application received without stipulation of denomination until 14:00 hours on the settlement day concerned will be performed by the Depository at the earliest on the next settlement day or at the requested value date.

If the applicant wishes to receive a certain combination of denominations KELER will check whether it is possible and decide on the composition of denomination of the securities to be delivered. If the release cannot be fulfilled in the requested denominations KELER will indicate this fact on the application for release that KELER returns via fax to the applicant.

##### **4.1.10.2. Liability rules in case of securities release**

In case of release from the Depository KELER will release securities with blank endorsement. The party receiving the securities released shall be liable for completing endorsements.

In case of release of securities the Account Holder is obliged to accept the quantity indicated in the delivery certificate authenticated by KELER's committee.

##### **4.1.10.3. Debit entry related to the securities released**

Simultaneously with the securities release by the Depository the securities account will be debited. The debit entry related to the account remains in force also if the addressee fails to take receipt of the securities on the settlement day concerned. KELER will register the securities not taken receipt of in line with the rules of the procedures on activities completed without client order.

If the applicant of the release (holder of the securities account to be debited) requests that securities are delivered to the address of another Account Holder, simultaneously by submitting the application to KELER the applicant is obliged to forward a copy of the application form to the delivery address.

#### **4.1.11. Fungible safekeeping**

In case of fungible safekeeping KELER segregates and records securities only by series.

In case of securities in fungible custody the Account Holder is not entitled to claim certain denominations and series numbers of the securities credited to the account, claims are valid only for the amount defined by denomination unit.

KELER undertakes safekeeping of securities only that bear an uninterrupted chain of endorsements and have blank endorsement.

#### **4.1.12. Individual custody of securities, warehouse warrants issued in Hungary and foreign physical securities**

KELER keeps securities and warehouse warrants issued in Hungary as individual deposit pursuant to the agreement concluded with the Account Holder and registers them in individual custody accounts.

The rules related to securities in fungible custody apply for receiving and delivering securities in individual custody accounts, however in case of securities in individual custody accounts the Account Holder is entitled to claim denominations and serial numbers of the securities.

In case of securities recorded on an individual custody account the Depository will not verify serial numbers, KELER will safe keep the securities received and keep them at the disposal of the owner of the individual custody account.

In case of securities kept on an individual custody account the Depository will not check the uninterrupted chain of endorsements, nor the endorsement of the securities to the Client. In relation to endorsement the holder of the securities can claim compensation only from the relevant Client.

KELER will only accept warehouse warrants with blank endorsement (commodities and warrants).

In respect of securities registered in an individual custody account delivery in and out can be completed, transfer is not allowed.

In case of securities registered in individual custody accounts, with the exception of warehouse warrants at the written instruction of the Account Holder the Depository completes invalidation and destroying.

#### **4.2. Depository services related to dematerialized securities issued in Hungary and physical securities kept in fungible custody at KELER**

##### **4.2.1. Services provided by the Depository**

KELER ensures the following services at the written order of the issuer:

- a) payments at the due date,
  - aa) payments at maturity without requirement of identification of the holders,
  - ab) payments at maturity with requirement of identification of the holders,
- b) identification of the holders (without payment),
- c) cutting the due coupons of physical securities,
- d) physical invalidation and destroying of physical securities and coupons (also in respect of securities in individual custody), and
- e) other services relating to securities issued in Hungary.

##### **4.2.2. Rules relating to the record date of corporate events involving payment**

Until the record date of the corporate event only securities with a valid coupon granting right for payment at the record date concerned and securities without any seal confirming payment are allowed to be delivered to the Depository.

After the record date only securities without coupon (or if there is no coupon securities with a stamp replacing coupon) can be delivered to the Depository.

The securities in relation to which the issuer failed to meet past due obligations will remain blocked until cancellation from the securities account.

#### **4.2.3. Rules of payment of securities in fungible custody**

In respect of securities in fungible custody the issuer shall order from KELER the cutting of coupons corresponding to the due payment, additionally in the case of shares orders shareholders registration by providing details as follows:

- start date of payment,
- whether execution is requested according to the rules of payment or not,
- in case of shareholder registration the method of transfer,
- requirements in respect of the due coupons.

#### **4.2.4. Management corporate actions related to securities recorded in the T2S system**

KELER executes in T2S also the corporate actions of securities recorded in the T2S system involving master data change or disbursement in Euro. For detailed rules please see the KELER Depository Announcement „T2S services”.

#### **4.2.5 Management of market claim, transformation and buyer protection processes**

KELER executes market claim, transformation and buyer protection processes centrally to compensate entitlements, in line with uniform European standards, related to transactions matched but unsettled on the record date of corporate actions and during the recycling period.

The KELER Depository Announcement entitled „T2S services” describes the relevant corporate action types and transaction types, the detailed rules of the processes.

### **4.3. Physical invalidation and destroying of physical securities and coupons**

#### **4.3.1. Invalidation of physical securities and coupons**

In case of securities in fungible custody KELER completes invalidation of securities and coupons at the written order of the issuer.

Pursuant to the written order of the issuer the Depository will safe keep the invalidated securities until the date of destruction or following destruction hands them over to the issuer.

The Depository performs coupon invalidation only if the Depository destroys the coupons.

#### **4.3.2. Destroying physical securities and coupons**

In case of securities in fungible custody at the written order of the issuer KELER undertakes to destroy securities and coupons that were invalidated by KELER.

#### **4.3.3. Invalidating and destroying physical securities and coupons in case of termination of the issuer**

Should KELER become aware of the fact that the issuer was deleted from the company register with final effect without having given instruction to cancel the physical securities in fungible custody in the Depository, based on notification by the court acting in the liquidation proceeding or by the court of registration KELER will take measures for delivering the physical securities issued by the terminated issuer to the depositors, if this is not possible for invalidating and destroying the physical securities issued by the terminated issuer.

KELER will publish the value date of invalidation and destroying the physical securities on its website and will inform securities account managers on the value date of the cancellation in a notice published on KID.



#### **4.4. Handling invalid securities**

##### **4.4.1. Handling securities that became invalid due to the termination of the issuer**

KELER allows to deposit the securities of terminated companies on a special account where the securities are physical securities delivered to the Depository and cannot be delivered out, or dematerialized securities already registered in the account management system of KELER.

By Client KELER opens a technical Client securities account to which only the securities of terminated companies can be transferred by the Clients via KID. By transferring the securities that became invalid due to the termination of the issuer the custodian / the Account Holder consents to the Depository destroying the securities once the legal obstacles to destroying are terminated. The holders of account are not liable to fee payment in relation to securities that became invalid and are deposited on this account.

## **V. Maintenance of bank and securities accounts by KELER**

### **5.1. Management of orders**

#### **5.1.1. Receipt of orders**

The cut-off time for receiving orders, the form of submission (electronic or printed document) are specified in KELER's Depository Announcements on Cut-off times to receive, execute and cancel orders, and on The operation of teller service outside KELER.

KELER shows the time of receipt by KELER on orders received as printed documents.

KELER considers both the electronic and the printed document order for the value date concerned received order (either submitted on the same day or with value dating or recycled from earlier) on the day if the order

- is successfully received within the cut-off time stated in KELER's Depository Announcement on Cut-off times to receive, execute and cancel orders or the Depository Announcement on The operation of teller service outside KELER.,
- is submitted in the manner and with the content determined in these Rules and thus it is received by KELER (i.e. the order is not rejected for reasons of logic, format or content), and
- the related verification of cover was successful before the end of the settlement day.

#### **5.1.2. Withdrawal of the order**

The Participant is entitled to request cancellation of the orders sent to and received by KELER, in compliance with the rules on matching the transactions, as long as the orders in the queue are not fulfilled. The Account Holder can withdraw these orders electronically or in a letter containing the instruction thereto.

The received letter instructing the withdrawal will be expressly marked as such and shall contain clear reference to the order to be withdrawn.

If the withdrawal that is the subject of the letter received can be executed, KELER cancels the withdrawn order from among the items pending execution (to be posted). The party submitting the order is informed thereon in the daily statement. If the electronically received withdrawal is successful, the withdrawn order is automatically deleted in the settlement systems. The successful or unsuccessful withdrawal is confirmed to the party submitting the order in the same electronic client relationship system that was used to submit the order.

KELER will perform the withdrawal only if the order is not yet settled and, if it is not an internal transaction to KELER, if the outsourced account manager accepts the instruction for cancellation, cancels the order and confirms it to KELER.

The cut-off time and procedure to withdraw an already received order are determined in KELER's Depository Announcement on Cut-off times to receive, execute and withdraw orders, and the Depository Announcement on The operation of teller service outside KELER.

#### **5.1.3. Finality of orders**

KELER considers the execution of the order final if it is posted in its account management system, and, in the case of settlement in T2S, in T2S Orders the execution of which is final are irrevocable.

## 5.2. The sequence of fulfilling orders

### 5.2.1. Rules defining sequence of fulfillment

The account management systems of KELER process orders submitted either in real time or in batch.

In accordance with these Rules and the provisions of applicable regulations KELER is entitled to define the sequence of fulfilling orders.

From among the orders the execution of transfer order by authorities and the decree on transfer have priority over the execution of other payment operations.

KELER as a member of VIBER fulfills payment orders in VIBER initiated by the Clients according to the interbank rules of procedure stipulated by the MNB.

In the course of real time operation of KELER the sequence of fulfilling orders is defined by priorities and within priorities by the time or receipt.

The priority of transactions depends on:

- the conditions applied in the VIBER system of the NHB,
- priority settings defined in KELER's settlement system, and
- the conditions defined by the Account Holder.

### 5.2.2. Priority and queue management

Real time processing is completed with complex priority and sequence management. The sequence of fulfilling individual (debit) orders is defined according to the following priority schedule.

- a) *KELER priority*: priority defined by KELER for individual order types, published in Depository Announcement that cannot be changed by the Account Holder.
- b) *Client priority*: within (debit) orders with equal KELER priority, at the transaction level the Account Holder is entitled to define the sequence of performing individual orders according to the values specified in the Depository Announcement. The Account Holder determines the priority of the order simultaneously with the submission of the order.
- c) *Sequence of receipt*: the orders with equal KELER and Client priority will be performed according to the sequence of their receipt by KELER.

When defining the sequence of performance, KELER will take into consideration the debit orders related to the account. Credit transactions will be fulfilled immediately. KELER will process orders received by main and sub-accounts according to the priorities described above.

Management of the sequence of securities orders is different by types of accounts. In case of stock exchange settlement securities sub-accounts and consolidated securities accounts the system puts into a queue by Clients and securities, and additionally by securities main and sub-account, the orders received, to be settled on the same day that are not yet performed.

The system always attempts to process the order that is first in the queue with the highest KELER and Client priority and was received earliest. If this can be booked, the system passes on to the next order in the queue.

If there is insufficient cover for the order concerned, the relevant queue of the Account Holder will stop, i.e. the system will not try to process the order ranked later in the queue that otherwise could be fulfilled (in terms of amount). The Account Holder will be notified on the stopped status

of the queue without delay.

The queue created can be “released” as follows:

- providing the cover required for booking the order,
- changing the priority of the order standing first in the queue to a lower priority, or
- suspending or deleting the order concerned.

In case of a DVP transaction, only the queue of securities (on the side of the seller) is amended by changing the priority of the order. In case of DVP transactions priority of the money queue is not applicable or it will be automatically overridden if it is completed.

For all other real time orders the Account Holder itself can set the priority of the transaction concerned when submitting the order. In case of an order not yet fulfilled (still in the queue) the Account Holder can change freely the related Account Holder priority in a relevant message.

### **5.2.3. Batch processing**

The types of the batch processing orders and settlement are defined in the relevant Depository Announcement of KELER.

Batch orders with daytime settlement are processed in phases at the times stated in the applicable Depository Announcement of KELER, by taking into account the cycles created by GIRO. KELER verifies cover and makes booking entries several times within each cycle.

KELER will determine the sequence of fulfillment within each accounting group according to the priority associated with the order, the time of submission of the order as well as the sum of the order.

KELER verifies cover for orders related to the settlement day concerned and received until the time of processing. In the course of processing the settlement system strives to fulfill as many orders as possible.

### **5.3. Securities account**

After concluding an account contract for keeping securities account KELER opens main securities account for its Clients.

Debit and credit entries related to securities will be completed on the sub-accounts to be opened under the main account.

At the request of the Account Holder KELER opens as many sub-accounts as requested.

A sub-account shall be considered a securities account in line with the provisions of the Tpt. that is kept by KELER on dematerialized securities owned by the Account Holder.

At a request to this effect KELER will keep the dematerialized securities owned by the Account Holder at a separate sub-account.

Any securities in custody at KELER will be deposited to a custody sub-account. Dematerialized securities and securities in fungible custody owned by the Account Holder may appear on the same sub-account.

The securities in individual custody are deposited to a sub-account separated from the custody sub-account.

Blocked securities are registered in a blocked sub-account.

The sub-account for generation and cancellation of dematerialized securities will be opened automatically when opening the main account.

Based on the advice by KELER CCP the sub-accounts for stock exchange settlement and sub-accounts necessary for securities settlement will be opened automatically for the Account Holder upon becoming a clearing member .

KELER opens dedicated securities sub-accounts for the US securities of Clients subject to preferential US tax treatment. For the entitlements related to the securities held in such

accounts KELER ensures the possibility of preferential US tax treatment based on the applicable tax treaty to avoid double taxation.

Transactions made on XETRA are also settled in the dedicated securities sub-accounts.

#### **5.4. Securities operations performed on the securities accounts**

##### **5.4.1. Value date of the order**

Value dated order can be submitted at the latest within fifteen settlement days preceding the value date of the order concerned. KELER attempts to fulfill any order received as value dated order on the requested value date, in case of recycling for twenty settlement days following the value date. In case of orders that can be recycled where the value date requested in the order is a past value date compared to the time of submission, the period of recycling is twenty settlement days following submission. Any order not performed by the end of the relevant value date (settlement day) will be cancelled, except for the primary transaction requested to be recycled, the defaulted multinet transaction and the recycled transaction.

The recycled order will be automatically deleted on the twentieth day following the date when the instruction of the Account Holder was submitted. Recycling is possible only in the case of transfer without movement of funds, DVD and DVP securities account transfer and investment unit creation and cancellation transactions.

KELER will notify the Account Holder on the orders received but not fulfilled on the value date or by the recycled value date that were thus cancelled.

## **5.4.2. Securities account transfer**

### **5.4.2.1. General provisions**

KELER performs securities transfer orders on a gross basis, proceeding from one transaction to the other. The securities transfer order on gross basis may be of DVP, DVD or FoP type.

The order for the securities transfer is accepted by KELER from persons only with securities account kept by KELER.

In the case of delivery of dematerialized shares with grounds other than assignment KELER debits the securities account of the previous shareholder and credits the shares to be acquired (transfer) to the new shareholder (Client) at the request of the Account Holder, based on the document evidencing the acquisition of ownership. KELER performs transfer transactions from the available balance of the securities account.

#### **5.4.2.1.1. Declaring an order ready for settlement, validation**

In case of securities transfers order both the Client to be debited and the Client to be credited has the possibility to give a settlement (validation) order by transaction in addition to the order, separately, in the interest of transaction execution.

The Client can give a validation order for the main account and for an individual transaction. The statement of the Account Holder is necessary for main account level validation, based on which a validation order linked to the account given is obligatory for all securities orders related to the same account.

If the Account Holder fails to give a validation declaration, KELER will apply an „automatically validated” setting on the relevant main account, that is orders executed on such main account do not require any validation order. In case of orders for the own main account there is no need for validation order.

#### **5.4.2.1.2. Suspension of the validated order**

The settlement of the received, validated securities transfer order submitted can be unilaterally suspended as long as the transaction is not settled. Suspension is possible exclusively in the case of already validated orders.

If the suspension of the transaction is withdrawn the order becomes validated again.

#### **5.4.2.1.3. Cancellation of the order by the Account Holder**

The received, validated securities transfer order can be unilaterally cancelled based on the received cancel instruction by the Account Holder.

### **5.4.2.2. Types of orders to transfer securities**

#### **5.4.2.2.1. The FoP order**

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

The orders received will be automatically matched by KELER. KELER will verify securities cover on the value date, in real time for the transactions declared to be settled (validated) and matched based on the instructions of both the Client to be debited and the Client to be credited or based on account setting.

The Account Holder is entitled to give a declaration by sub-accounts so that the order should be fulfilled only in case of a transfer acceptance order given by itself.

For execution of the order at least the transfer order of the Account Holder to be debited is necessary.

In case of a transfer order of the Account Holder to be executed between two sub-accounts under its securities account the Client does not need to submit any transfer acceptance order.

#### **5.4.2.2.2. Special order related to securities kept in individual custody account**

KELER accepts and executes a special order in relation to securities in individual custody accounts from and for the custodian / account holder that maintains an individual securities custody account at KELER.

Special orders for individual custody accounts can be submitted only in printed form, by fax or personally. Within 2 hours of receipt KELER executes orders received as printed documents and complying with the requirements regarding content and form..

KELER executes special orders for the securities serial numbers of securities in individual custody accounts shown in the transfer order.

Validation, suspension and cancellation instruction cannot be given in relation to special orders relating to securities in individual custody accounts.

#### **5.4.2.2.3. The DVD order**

When executing a DVD order, that is a “Delivery versus Delivery” order, KELER performs debit entries relating to one or several securities series against credit entries related to one or more securities series. Debit and credit entries are made simultaneously.

The order is fulfilled if the securities to be debited and credited are fully available on the securities accounts of the Clients.

#### **5.4.2.2.4. The DVP type order**

When executing a DVP that is “Delivery versus Payment” order KELER completes a debit entry related to a specific securities series against crediting the counter value on a payment account kept with the MNB or KELER. Debit and credit items are made simultaneously.

The DVP type securities account transfer is performed based on the independent order of the Client delivering and receiving the securities. The settlement note to be submitted by both counterparties will be matched by KELER.

In case of settlement notes received prior to the value date KELER attempts to match them as from the date of receipt, in case of settlement notes received on the value date, from receipt on the value date or continuously during the period of recycling. Only fully matched, settlement notes are submitted to further processing.

DVP order is to be used in the following cases:

- OTC,
- repo,
- primary,
- non-guaranteed transactions that can be concluded in the Equities and Debt Sections of the BSE (fix, stock exchange auction and DVP settlement bond deals),
- physical delivery of derivative transactions and
- securities transactions settled through a foreign clearing house
- investment fund creation and cancellation (regardless of the settlement method of the instruction).

Booking entries to the account of the Client to be debited and the account of the Client to be credited are made simultaneously. Booking entries are final and irrevocable.

DVP orders in Euro are settled in the T2S system also. The related detailed settlement rules can be found in KELER’s Depository Announcement on T2S services.

### **5.4.2.3. Processing DVP type transfers**

#### **5.4.2.3.1. Verification of securities cover**

As the first step of order settlement securities cover is verified.

KELER verifies securities cover in a comprehensive manner on the account indicated in the order of the selling Account Holder.

Verification of cover is made based on the current securities account balance of the Account Holder. If securities cover verification is successful securities are temporarily blocked until financial cover verification is completed.

If securities cover verification is unsuccessful the order is put into a queue.

KELER continuously attempts to execute the transactions in the queue. At the end of the day KELER cancels the order received with insufficient cover or recycles it according to the content of the order.

#### **5.4.2.3.2. Verification of financial cover and making booking entries**

Following successful verification of securities cover financial cover is verified on the Forint or foreign currency payment account stated in the instruction by the Client purchasing the securities.

In line with the provisions of the general rules the payment account of the Account Holder concerned is maintained

- a) by KELER and/or
- b) by the NHB.

In case of sufficient financial cover and confirmation thereto final and irrevocable financial fulfillment is completed on the account stated by the Account Holder.

Should sufficient financial coverage not be available on the account stated of the Account Holder to be debited, the order will be queued in KELER or the MNB and the relevant account management system will continuously attempt to execute the order unless it is withdrawn (cancelled) in the meantime.

If the same KELER cash account is involved on both the seller and the buyer side, no cash side entries are posted.

The temporary blocking of the securities concerned is continuous on the account of the selling Account Holder. At the end of the settlement day or at the end of the last day of recycling the order still being in the queue will be cancelled and the securities will be released on the account of the seller.

According to the original order verification of financial cover is completed on the account stated by the Account Holder, if financial cover is not available other financial assets of the Client concerned cannot be involved in the fulfillment.

#### **5.4.2.3.3. Booking entries on the securities side**

Once booking entries on cash accounts are completed final and irrevocable settlement on the securities side is performed in the course of which securities already blocked are released and KELER will debit the account of the Account Holder on the sell side and simultaneously credit the account of the Account Holder on the buy side as indicated in the original order.

### **5.4.3. Blocking on the securities account**

#### **5.4.3.1. General provisions of blocking**



The Account Holder is entitled to give an order to KELER for blocking securities, except for the cases defined in regulations. KELER shall issue certified blocking statement on the blocked securities at the request of the Account Holder or mandatorily in the case of joint blocking.

In case of securities with expiry the expiry date of blocking can be at the latest the second settlement day preceding expiry of the securities. In case of an investment unit with expiry blocking is completed on the 5<sup>th</sup> settlement day prior to payment. If the holder of the securities is entitled to alienate the securities during the term of blocking the Account Holder has to ensure that the securities are immediately credited and blocked on the account of the new holder with indication as to the circumstance justifying the blocking.

The blocked securities cannot be used for securities operation during the term of blocking, except for securities under compulsory blocking the Account Holder is not entitled to alienate securities.

Blocking at the instruction of an authority or court is exception to the above provision, such blocking lasts until the date defined by the authority or court.

If during the term of blocking certified blocking statement is issued, returning the certified blocking statement is the condition of release of the blocking before the expiry date of blocking, accordingly release of blocking cannot be requested on the electronic client relationship system.

In case of a share the date of expiry of the blocking is defined according to the provisions of the Tpt.

Should the certified blocking statement issued cannot be returned for some reason (lost or destroyed), KELER and the holder of the certified blocking statement shall document this fact in minutes. The minutes will be signed by KELER and the agent of the Account Holder. Only a person authorized for this purpose can sign the minutes.

#### **5.4.3.2. Types of blocking**

##### **5.4.3.2.1. The unilateral blocking**

The Account Holder has the right to initiate unilateral blocking on its securities account maintained at KELER. After checking the order in terms of shape and form KELER completes the unilateral blocking against the freely available securities balance on the securities account indicated.

At the order of the Account Holder the blocking can be released at any time, even before the original expiry date.

##### **5.4.3.2.2. The joint blocking**

In case of joint blocking the Account Holder and one of its Clients jointly submit a request for blocking.

For the implementation of joint blocking the Account Holder opens a named securities sub-account for its relevant Client, blocking can be completed only on the named sub-account. A named sub-account can be opened in the name of one holder only.

An original declaration regarding blocking of the securities (description of the securities, quantity, expiry, and mailing address) of the ordering party (holder of the sub-account) not older than one month or an authentic copy of a declaration to the same effect (letter instructing blocking) is to be attached to the instruction of the Account Holder.

The letter of instruction must include that the Account Holder accepts the provisions of the present Rules of KELER as binding for itself. KELER will not check whether the letter is signed by authorized signatories, the Account Holder is responsible therefore.

Partial release of the blocked securities is not possible.

KELER provides to both parties requesting the blocking certified blocking statement on the joint blocking.

KELER hands over one copy of the certified blocking statement to the Account Holder at Client Service. KELER will send the second copy of the certified blocking statement to the mailing address of the Client of the Account Holder indicated in the letter of instruction in a letter with acknowledgement of receipt, or failing this, to the registered seat of the Client of the Account Holder. The Account Holder and its Client will be liable for all consequences of providing incorrect mailing address, of using postal services and of losing the certified blocking statement.

KELER takes the minutes simultaneously with the release of the blocking only. The Account Holder and its Client are entitled to repeatedly block the released securities.

The blocking can be released before the maturity of the securities only if both parties give consent thereto. Consent by both parties is considered to be given if both copies of the certified blocking statements are forwarded to KELER.

#### **5.4.3.2.3. The beneficiary blocking**

In case of beneficiary blocking the Account Holder shall indicate the beneficiary client having a securities account at KELER that is entitled to release the blocked securities before expiry or, if necessary, to alienate them.

KELER informs the Account Holders concerned of the beneficiary blocking in the KID system.

Special cases of beneficiary blocking are as follow:

- trilateral blocking,
- blocking for collateral, hedged position with KELER, KELER CCP as beneficiary.

##### **5.4.3.2.3.1. The trilateral blocking**

In the course of trilateral blocking the holder of the securities as performing party creates a collateral on behalf of the obligor being in contractual relation with it.

Creation of collateral is necessary for meeting the obligations of the obligor towards the beneficiary.

The performing party is entitled to initiate trilateral blocking on behalf of a third party indicating the obligor of the transaction linked to collateral provision.

##### **5.4.3.2.3.2. Blocking with KELER and KELER CCP as beneficiary**

In the case of an order where the Account Holder is obliged to provide collateral, the Client is entitled to provide collateral by blocking an instrument included in the prevailing Terms and Conditions on Acceptance of KELER and KELER CCP with KELER and KELER CCP indicated as beneficiaries.

Exclusively the Account Holder concerned is entitled to submit an order thereto.

The obligation for granting collateral to KELER and KELER CCP can also be performed by blocking the securities representing the collateral not on the securities account of the obligor but on the securities account of settlement agent in contractual relationship with the obligor.

KELER completes blocking in the period stipulated in the Depository Announcement on Cut-off times to receive, execute and withdraw orders, provided the necessary securities cover is available on the account indicated in the order of the Account Holder.

Valuation of the securities blocked as collaterals completed in accordance with the List of Conditions of KELER and KELER CCP.

Release of blocked securities before expiry is allowed only with the consent of KELER and KELER CCP, provided the obligation of the Account Holder to provide collateral is fully covered by the collateral remaining blocked.

A special form of beneficiary blocking is blocking in the interest of a so-called covered position that is different in terms of calculating the initial margin.

Blockings for a covered position will automatically cease to exist on the day of performance.

#### **5.4.3.2.3.3. Methods of releasing beneficiary blocking**

Beneficiary blocking can be released as follows:

- a) on the basis of instruction by the beneficiary indicated by the Account Holder, submitted at the latest until 11:00 hrs. on the day after the expiry date of the blocking. In this case the following text is to be shown on the release instruction: “ I will / will not exercise my transfer right”, if a transfer order is submitted also, “exercising rights of beneficiary” is to be shown on both orders.
- b) if the beneficiary does not submit an order KELER releases blocking after 11:00 hrs. on the settlement day following the expiry day of the blocking, in this case the Account Holder can freely dispose over the securities released.

#### **5.4.3.2.4. Compulsory blocking of the securities account**

KELER will block all dematerialized securities that are subject to rights of a third party under law, act of court or authority, or resulting from a contract, or relating to which the Account Holder gives such an instruction.

During the blocking the title of the blocking –such as particularly bail, lien, custody by court, action of replevin, judicial enforcement – and the person must be indicated to the benefit of whom the blocking was registered as well as the period of blocking. Unless otherwise provided, the blocking is valid until the last day of the year following the current year.

The Account Holder shall send the statement of blocking to its Client and the person to whose benefit the entitlement was registered as well as to the competent court, executor and other relevant authorities.

In case of cancellation of the registration of entitlement KELER will advise the Account Holder accordingly, the Account Holder will forward this information to all the persons that were advised at the time of establishing the entitlement.

If the Client is entitled to alienate the securities during the period of blocking, the Account Holder ensures that the securities are credited to the securities account of the new holder by indicating blocked status and the circumstances justifying the blocking.

If the person to whose benefit the blocking was made certifies that it acquired the ownership of the securities, the Account Holder shall ensure without delay that the securities are transferred to the securities account indicated by the new holder.

The securities account manager is obliged to show the fact of blocking also on the securities account.

The Account Holder shall be liable for failure to block the securities account related to the securities being subject to blocking.

Blocking related to central securities account type “B”, that is securities owned by the Clients of the Account Holders is to be initiated not at KELER but at the securities account manager. The blocking becomes valid only if the fact of blocking is registered by KELER.

The letter of instruction for the converted securities remains in force until it is used to release the first blocking.

## **5.5. Special rules on maintaining payment accounts in HUF**

By default KELER can execute HUF payment orders of a credit institution Account Holder through VIBER. In the VIBER system KELER is entitled to submit HUF payment orders to the MNB on behalf of the credit institution to meet payment obligations arising from these Rules. The Account Holder can use its cash accounts managed by KELER to register collaterals provided in Forint, to generate and cancel investment fund units daily on a DVP basis and to undertake stock exchange Settlement agent functions if a separate agreement to this effect is executed.

For payment operations that are not considered cash management service pursuant to Hpt., between KELER and the Account Holders participating in the system defined in Tvt. and payment operations related to the custody of securities defined in Bszt. the provisions of Pft. and MNB Order 18/2009. (VIII.6.) shall apply with the deviations defined in these Rules and other regulatory documents of KELER on cash management.

The rules applicable for Micro enterprises and Consumers defined in regulations on cash management shall apply only to Account Holders considered Micro enterprises or Consumers.

The Depository Announcement on Cut-off times to receive, execute and withdraw orders contains deadlines applicable for the receipt and execution of payment orders related to settlement.

### **5.5.1. Methods of payment**

In the framework of cash management activity KELER applies the following methods of payment:

- transfer (within this simple transfer including internal transfer, transfer by authorities and decree on transfer),
- collection based on authorization letter,
- cash payment. KELER provides for cash payments exclusively in the form of cash withdrawals and cash deposits executed at the Teller Services of the commercial bank contracted as published in the Depository Announcement on The operation of the teller service outside KELER.

### **5.5.2. HUF payment transactions executed by KELER**

Orders on the HUF payment accounts kept by KELER are executed as follows:

- settlement of debit/credit orders arriving in GIRO, within IG1 and IG2 settlement method,
- settlement of debit/credit orders arriving in VIBER,
- settlement of transfers by authorities and decrees on transfer received within IG1 settlement method,
- financial settlement of DVP and other capital market transactions and financial settlement of payment orders with real time processing,
- internal settlement of debit/credit orders,
- orders given by KELER CCP.

KELER credits to the account of the Account Holder only the orders that comply with the provisions of the prevailing applicable cash management regulations and the KELER Depository Announcement. Any order not in line with the provisions, unidentifiable items will be recorded in a suspense account. If the remitting credit institution identifies the order in writing, it will be credited to the appropriate HUF payment account, otherwise KELER will reject the order. Erroneous items related to GIRO transactions are rejected in the settlement method in which the original order was received.

The HUF payment orders initiated by the Account Holder may involve movements of funds among the following accounts:

- accounts of the Account Holder and the Account Holder of an external credit institution,
- accounts of the Account Holders,
- accounts of the Account Holder and KELER,
- accounts of the Account Holder and KELER CCP, and
- the sub-accounts of the Account Holder.

In case of insufficient financial cover the order concerned will be put in a queue at KELER and the cash account management system continuously attempts to execute the item.

KELER attempts to execute within the day the orders with insufficient cover of GIRO intraday clearing in the forthcoming clearing cycle stated in the Depository Announcement. KELER cancels orders with insufficient cover in case of insufficient cover at the end of the day.

In the original settlement method, in line with the provisions of the Depository Announcement, the Account Holder can withdraw orders received for processing under GIRO clearing and not yet collateral verified. Withdrawal of orders initiated by the Account Holder and already cleared, that is the paying back of the amount transferred can be completed in IG2 only, following the initiation of the withdrawal.

KELER forwards to its Client the withdrawal order received with respect to funds credited to the account of the Account Holder under IG2 clearing.

The Account Holder can decide to accept or reject the withdrawal by way of instruction letter. If the withdrawal request is accepted the instruction letter of the Account Holder also authorizes KELER to dispose over its account, that is to pass debit entry to the account.

The Account Holder has the possibility to withdraw the order in the queue, to change the priority by taking into consideration the provisions of the relevant Depository Announcement. Should the Account Holder fail to take this opportunity, the order will be cancelled at the end of the settlement day.

### **5.5.3. Details required to execute payment orders**

KELER accepts payment orders electronically and on printed blank payment order forms and on payment orders marked "KELER".

KELER processes orders submitted in printed form and with GIRO processing in IG2 clearing only.

KELER will not perform any order received by fax except for the instruction letter for a financial lending transaction and the instruction letter withdrawing a payment order with batch processing sent by the Account Holder and the instruction letter on the execution or rejection of withdrawal.

If performance of a transaction is subject to authority license by provision of law and if the law requires KELER to check the license, KELER is obliged to make sure that license exists. KELER will refuse the order if the required license does not exist.

### **5.5.4. Rejecting a payment order**

KELER will reject any manual payment order and cancel any payment order received electronically that are issued by mistake, are incomplete or issuance is inappropriate for other reasons, with clear indication as to the reason of rejection.

### **5.5.5. Special rules relating to the HUF deposit sub-account maintained for the issuer and the distributor**

#### **5.5.5.1. Types of deposit payment accounts**

KELER distinguishes deposit payment accounts as follows:

- a) deposit payment account opened for the issuer and the distributor in case of securities issuance,
- b) issuer deposit payment account opened for depositing the consideration of non-accepted dematerialized securities in case of dematerialized conversion,
- c) issuer yield payment account.

#### **5.5.5.2. General provisions for deposit sub-account**

Deposit payment account can be opened under the payment account for this purpose. The deposit payment account cannot be used for purposes that are not listed in Point 5.5.5.1.

The condition for opening a deposit payment account is the existence of a relevant account contract.

KELER is not entitled to withhold under any title the amount deposited in the deposit sub-account.

On the balance of deposit sub-accounts KELER pays interest as defined in the List of Conditions on Interest Payment of KELER, based on individual agreements KELER may deviate from the provision thereof.

#### **5.5.5.3. Special rules for deposit sub-accounts opened for securities issuance**

If during issuance the issuer or the distributor receives consideration from the investor, the amount paid during issuance is to be kept on a deposit account kept with a credit institution. The persons participating in the issuance are obliged to immediately ensure that the funds received by them are deposited at a deposit account. Until fulfillment of the repayment obligation in case of failure of the issuance or until it is stated that no repayment obligation exists, the amount deposited at the deposit account cannot be used.

The issuer, if a distributor is involved the issuer and the distributor jointly advises KELER in writing on the result of the securities issuance.

If the offer made to acquire the securities is partially or fully unacceptable for reason specified in the prospectus, the issuer or the distributor is obliged to repay within seven days of closing the offer period the full amount received for the securities that cannot be issued and is deposited in the deposit account.

#### **5.5.5.1. Special rules relating to issuer deposit sub-accounts opened for the consideration of non-accepted dematerialized securities in case of dematerialized conversion**

By presenting the securities declared invalid the holder may require that dematerialized securities are released to it. If securities are already sold or the debt securities expired or the investment fund issuing the investment unit ceased to exist, the owner of securities is entitled to receive the consideration of the dematerialized securities sold or the amount due at expiry.

Until the holder provides instructions the issuer shall keep the consideration of the securities sold or the amount due at expiry on a deposit account opened with a credit institution.

If the holder fails to submit an application within the applicable deadline, the holder is obliged to pay the costs arising until enforcement of its claim.

For lapse of the monetary claim replacing the claim for delivering the securities the rules relating to the period of limitation of claims represented by securities are applicable.

#### **5.5.5.5. Issuer yield payment account**

A payment account facilitating the technical implementation of yield payment by the issuer from which account the issuer or its agent pays the amount serving cover for yield payment to the owners of securities.

#### **5.6. Teller transactions**

Cash turnover related to payment accounts is completed by depositing and withdrawing funds at the teller of a commercial bank authorized by KELER.

KELER will publish the name of the commercial bank contracted to manage cash transactions and the procedure related to cash paid in and withdrawn in a Depository Announcement.

#### **5.7. Management of foreign exchange accounts**

KELER maintains foreign exchange accounts for Account Holders through KELER's foreign exchange nostro accounts.

KELER will credit the foreign exchange amounts credited to these nostro accounts to the individual Account Holders in the appropriate currency based on the confirmations (advices, statements of account) provided by the institutions keeping the nostro accounts.

For payment operations involving the Account Holders participating in the system defined in Tvt. and payment operations related to the custody of securities defined in Bszt. settled in foreign currencies the provisions of Pft. and MNB Order 18/2009. (VIII.6.) shall be applied with the deviations defined in these Rules and other regulatory documents on cash management of KELER.

##### **5.7.1. Transaction types recorded on foreign exchange accounts**

On the foreign exchange account KELER completes debit and credit entries as follows:

1. At the instruction of the Account Holder:
  - a) for internal and external foreign exchange transfers,
  - b) in relation to corporate events of securities representing ownership,
  - c) in case of debt securities in relation to foreign securities settlement, interest payment and redemption,
  - d) for foreign exchange conversion and foreign exchange advice transactions.
2. On the basis of credit and debit transactions initiated by KELER's nostro account manager.
3. Based on authorization provided by KELER, KELER CCP and by the Account Holder under these Rules:
  - a) debit and credit entries, conversion necessary for the provision of foreign exchange settlement services, initiated at its own discretion,
    - aa) for financial settlement related to gross DVP settlements (including the transactions to generate and cancel investment fund units daily, on a DVP basis),
    - ab) for the settlement of transactions made on XETRA,
    - ac) for securities sell and buy transactions related to the settlement of foreign securities,
  - b) in case of compulsory provisions.
4. Based on authorization by KELER CCP:
  - a) debit, credit, conversion necessary for providing settlement services in foreign currencies, made at its discretion,
    - aa) in order to fulfill regulated market, BSE MTF and MTS transactions settled

- in foreign currencies
- ab) in the interest of energy market fulfillment
- b) in case of compulsory provisions.

KELER executes the orders placed for a foreign exchange account at the value dates specified in the settlement schedule for the relevant foreign exchange.

### **5.7.2. General provisions for debit/credit entries on foreign exchange accounts**

In case of a foreign exchange payment order by the Account Holder related to foreign settlements KELER verifies the foreign exchange cover at the time of submitting the instruction. The verification of cover is exclusively based on the available foreign exchange balances, that is foreign exchange amounts to arrive later from foreign exchange conversions, or amounts confirmed with an advice but not yet confirmed by the foreign exchange nostro bank cannot be transferred.

Until execution KELER will block the foreign exchange amount indicated in the order on the foreign exchange account of the Account Holder. The blocked foreign exchange amount cannot be used for other transactions.

Based on the confirmation of the foreign exchange account manager KELER will release the blocking and will actually debit the foreign exchange account of the Account Holder.

The blocking will not be released automatically on the settlement day: if it is expected that the basic transaction will not be fulfilled, KELER will release the blocking by canceling the basic transaction.

The final credit and debit amount, based on advices by the foreign exchange account manager of KELER and compliance with other conditions defined for transactions, will be the foreign exchange amount credited/debited with final effect on the foreign exchange account of the Account Holder.

The posting day of the debit/credit order is the day of processing by KELER, the value date is the instructed value date.

Foreign exchange amounts related to a corporate event of securities representing ownership will be credited to the foreign exchange account of the Account Holder based on the foreign exchange credit advice of the nostro account manager of KELER and based on other information relating to the corporate event. Value date is the day of processing by KELER.

Pursuant to the advice made by KELER regarding the corporate event concerned, KELER is entitled to initiate a debit item up to the foreign exchange amount involved in the corporate event on the basis of instruction (for the basic transaction) by the Account Holder.

KELER is entitled to provide technical foreign exchange credit facility to the foreign exchange account kept with KELER of its Account Holder based on the debit advice of the nostro account manager of KELER and to charge credit interest for the credit period.

### **5.7.3. Settlement transactions for foreign securities**

#### **5.7.3.1. Purchase of foreign securities (basic transaction)**

When processing securities buy transaction KELER verifies cover based upon the available balance of the foreign exchange account concerned. If sufficient cover is available the amount corresponding to the transaction is blocked and will be assigned awaiting fulfillment status until settlement abroad. If cover is insufficient KELER puts the original order in a queue and will fulfill it only if the full amount of the cover is available. Transactions with insufficient cover can be cancelled. The sequence of processing depends on the time when the item was put in the queue (FIFO principle). Priority will define the sequence of processing when orders are received at the same time.



If the transaction is fulfilled at the outsourced account manager, based on confirmation (debit advice) by the outsourced account manager KELER will release the blocked cover and will debit the foreign exchange amount corresponding to the transaction amount to the foreign exchange account of the Account Holder. Value date of the debit is the day of processing at KELER.

#### **5.7.3.2. Sale of foreign securities (basic transaction)**

On the basis of confirmation (credit advice) by its foreign exchange account manager and the settlement advice on the foreign securities sales transaction, KELER will credit the foreign exchange amount of the basic transaction to the foreign exchange account of the Account Holder. Value date of the credit entry is the value date of processing at KELER.

#### **5.7.4. Foreign exchange conversion**

##### **5.7.4.1. General provisions**

KELER provides foreign exchange conversion services for its Account Holders with HUF payment accounts kept by KELER.

KELER executes foreign exchange conversions only in the settlement currencies and for foreign exchange conversion dates published in the Depository Announcement.

##### **5.7.4.2. Foreign exchange buy transaction**

The order for foreign exchange conversion may be initiated in compliance with the provisions of the Depository Announcement of KELER.

The Account Holder is to provide the foreign exchange equivalent on its HUF account.

On the value date of the conversion KELER will debit the HUF account of the Account Holder with the purchase price of the foreign exchange.

If the required equivalent amount is not available on the HUF account of the Account Holder, KELER automatically deletes the conversion.

##### **5.7.4.3. Cross currency conversion**

Cross currency conversion can be requested with T+2 settlement only.

The instruction has to contain the currency and amount to be sold and the currency to be bought. If the Account Holder fails to provide cover on its foreign exchange account KELER will automatically cancel the conversion. If cover is available, KELER will block the amount to be sold on the account of the Account Holder.

KELER completes the cross currency conversion through the conversion bank and following settlement KELER will debit with the amount sold and credit with the amount purchased the appropriate foreign exchange accounts of the Account Holder.

##### **5.7.4.4. Foreign exchange sell transaction**

Foreign exchange conversion can be initiated in compliance with the provisions of the Depository Announcement of KELER.

Following receipt of the instruction for foreign exchange sell KELER checks whether the foreign exchange account balance of the Account Holder on the processing day is sufficient to fulfill the transaction.

In case of insufficient cover KELER automatically cancels the foreign exchange sell order.

If foreign exchange cover for the transaction is sufficient KELER executes a conversion order on behalf of the Account Holder.

#### **5.7.5. FX advice (pre-advice)**

As an independent instruction an FX advice can be submitted to KELER. By its submission the Account Holder declares that it gave an order for debiting its HUF account or foreign exchange account kept at another bank and it would make the foreign exchange amount indicated in the advice available on KELER's nostro foreign exchange account by the indicated value date.

KELER undertakes to credit the amount of the pre-advice to the Account Holder at the date of crediting the nostro foreign exchange account without any further identification of the beneficiary.

Payments received in the nostro foreign exchange account of KELER without pre-advice will not be credited to the foreign exchange account of the Account Holder managed by KELER with the same value date.

Should the advice not be fulfilled on KELER's nostro account in the amount and by the value date indicated, KELER is entitled to charge the Account Holder submitting the advice with any fee, duty and interest that may be charged by the nostro account manager.

#### **5.7.6. Transaction initiated by KELER's nostro account manager(s)**

KELER is entitled to record the credit/debit item posted by its external nostro account manager on KELER's account to the credit/debit of the foreign exchange account of the Account Holder indicated by the nostro account manager and accordingly identified, without asking the Account Holder.

#### **5.7.7. Transaction initiated by KELER**

For ensuring fulfillment of the transactions settled in foreign exchange KELER is entitled to make credit/debit entries to the foreign exchange account of the Account Holder based on authorization provided by the Account Holder under these Rules in the cases herein defined, including among others in relation to derivative and multinet settlement, creation of collateral, purchase price settlement required in foreign exchange, energy market settlement and compulsory provisions. KELER executes automatically transactions made on XETRA and affecting the foreign exchange account designated for XETRA trades, based on the list of transactions received from the appointed Settlement bank.

## **VI. Settlement of regulated market transactions not guaranteed by KELER CCP**

### **6.1. General provisions**

KELER provides settlement services without guarantee undertaking by KELER CCP with respect to the following stock exchange and over-the-counter transactions.

A transaction concluded on the stock exchange can be a bond deal with fix, auction and DVP settlement as well as cash transaction made in the commodities section.

Securities transactions concluded outside the stock exchange are OTC, primary and repo transactions.

In case of settled transactions of these types the Account Holder executes segregation between the own and client accounts by adjustment at the end of the day.

### **6.2. General rules of settlement related to non-guaranteed transactions concluded on the BSE**

According to the terms and conditions of the BSE Regulations non-guaranteed transactions can also be concluded in the equities and debt securities section.

In case of such transactions settlement of the debt securities is made on T+2 day, settlement of the securities representing ownership is allowed within a period of minimum T+1 day but maximum T+7 days, depending on the stock exchange deal.

Settlement of the transactions is made on the indicated settlement day in a segregated manner, on gross value basis, according to the rules relating to the performance of DVP type securities account transfers.

KELER provides settlement services to the stock exchange trader concluding a transaction at the BSE that is not guaranteed in accordance with the applicable form contract.

The condition of settlement of transactions concluded by the client of the Account Holder is that there is a form contract concluded between the Account Holder and KELER.

KELER automatically cancels all transactions not performed by the end of the settlement day of the transaction.

Only the BSE is entitled to initiate amendment of the transactions that have not been settled yet.

### **6.3. OTC securities transaction settlement**

#### **6.3.1. OTC transactions**

KELER handles instructions provided by two Clients relating to a transfer in line with the rules on OTC transactions.

KELER performs the settlement of OTC transactions made outside the regulated market, the BSE MTF market and the MTS according to the DVP type securities account transfer.

Matching will be made by KELER also for the instructions for which the purchase price indicated on the settlement note submitted by the Account Holders delivering and receiving the securities differ by an amount within the limit or equivalent to the limit provided for in the relevant Depository Announcement, no matching will be made in case of difference exceeding the limit. In case of settlement notes submitted and matched with different purchase price, the basis of the settlement will be the purchase price given by the buyer when performing the transaction.

KELER will handle instruction as instructions to be recycled where the Account Holder requested recycling or where the field of price was not completed.

In respect of OTC transactions made with the MNB issues not regulated in these Rules will be governed by the provisions of the respective regulation of the MNB.

### **6.3.2. Settlement of primary market transactions**

On the basis of issuance (allocation) data received from the issuer or its agent in a form as agreed upon by the parties, KELER will perform settlement of the primary market transaction.

Settlement process of the primary transaction is the same as the DVP securities account transfer, with the one exception that the settlement notes will not be submitted and matched. For the settlement of the primary transaction, linked to the securities sub account, the client on the sell side can provide the number of the cash account to be debited directly.

Unless otherwise agreed by the parties, until the start of verification of cover only the issuer or its agent may initiate the amendment of the primary market settlement order.

Any matter not regulated in these Rules will be governed by the regulation of the issuer in respect of the primary market transactions.

### **6.3.3. Settlement of repo transactions**

#### **6.3.3.1. Types of repo transactions**

Repo transactions are transactions as follows:

- a) repo transaction of general collateral type and
- b) repo transaction of delivery type.

In case of repo transaction of general collateral type KELER blocks the securities being subject of the transaction on the account of the seller with the buyer as beneficiary.

In case of a repo transaction of delivery type the securities being subject of the transaction will be credited to the account of the buyer, the buyer can freely dispose over the securities during the term of the repo transaction.

#### **6.3.3.2. Extension of the term of the repo transaction**

On the basis of agreement concluded by the Clients, the repo transaction can be extended both for the whole transaction or for a part of it.

The instruction for extension of the repo has to be submitted by both parties to KELER until the cut-off time defined in the Depository Announcement. The order for extension of repo will be matched and settlement will be made only for the matched transactions.

In case of extension of the repo transaction the financial settlement at the expiry is made for the repo interest / purchase price difference.

#### **6.3.3.3. Expiry of the repo transaction**

The settlement is performed on the date of expiry. On the financial side settlement of the repo interest/purchase price and on securities side release of the blocked securities in case of repo transaction of general collateral type is completed and the securities are debited/credited to the relevant accounts in case of a repo transaction of delivery type.

In the event that on the day preceding the date of expiry of the repo transaction KELER does not get any instruction for extension of the repo (instruction by both Clients that can be matched), it will consider the repo transaction expired. On the financial side settlement of the

repo interest and the purchase price is completed and on the securities side release of the blocked securities in case of repo transaction of general collateral type and debiting/crediting the securities concerned on the relevant accounts is completed in case of a delivery type repo transaction.

Should the party with a financial obligation of an expiring repo transaction fail to fulfill its payment obligation (fails to provide sufficient cover on the account), KELER will automatically credit the securities concerned to the account of the original buyer of the repo transaction after real time processing in case of a repo of collateral type, while the securities remain on the account of the buyer of the transaction in case of a delivery repo.

#### **6.4. Settlement of compensation notes**

KELER CCP settles compensation notes transactions concluded at the BSE in accordance with the rules applicable to transactions with multinet settlement with the difference that receipt of compensation notes is not by KELER but by the investment firm, credit institution authorized by the issuer for this purpose.

The investment firm and the credit institution authorized to take receipt of compensation notes forwards by transfer the compensation notes delivered by it to the account of the beneficiary. For the transfer in addition to the main account code of four digits the sub-account code type „S”, i.e. S00000 or type „M”, i.e. M00000 are also to be given depending on whether the Account Holder requests credit to its own or its Client’s account.

In the course of registration of compensation notes KELER will not indicate the value provided for in the Compensation Act under nominal value of the compensation notes but the value of the denomination unit x number of pieces.

## **VII. Settlement of international transactions**

### **7.1. Settlement services for foreign securities**

#### **7.1.1. General provisions**

##### **7.1.1.1. Acceptance of foreign securities**

For the purpose of registration, management and international (cross-border) settlement of foreign securities KELER will conclude an account management agreement with the foreign custodian selected by KELER. Registration of securities in the portfolio of the Account Holders and their clients is completed at the outsourced account manager of KELER without segregation.

On the accounts kept by KELER, KELER completes transactions by definition for the own account of the Account Holder, unless the Account Holder instructs otherwise.

The range of foreign securities acceptable by KELER is detailed in the regulations of the foreign custodian selected in addition to the obligations provided for by law.

In case of offering of foreign securities, KELER guarantees recording of the foreign securities under an individual contract concluded with the foreign custodian or clearing house.

If the issuer lists acceptable foreign securities on the BSE, at the written request of the issuer, KELER will issue a statement of acceptance for stock exchange settlement pursuant to the data registered by the foreign custodian.

The securities credited through the outsourced account manager appear on the securities account of the Account Holder only as account receivables, such securities cannot be physically delivered in or out.

KELER keeps a separate register on broken securities credited to its account managed by the outsourced account manager where broken securities due to various Account Holders are recorded. KELER informs the Account Holder in e-mail on the volume of broken securities by sending information on the closing balance of the last business day of each calendar month. If the total of broken securities credited to the Account Holder amount to a round number of securities, KELER transfers the credited securities to the securities account of the Account Holder.

##### **7.1.1.2. „Multi-market” securities**

Securities issued in specific countries can be traded in several stock exchanges and markets – among others, at the BSE. Accordingly, such „multi-market” securities can be settled in the settlement systems of several central depositories serving the domestic and international markets. Transferring securities among different markets is possible within the framework of a „cross-border” settlement, subject to the links existing among the different settlement systems.

Despite the fact that securities represent the same rights regardless of the various markets, from a settlement and practical point of view they cannot be seen as identical.

Securities generated in KELER’s system, or adopted and recorded therein from a certain capital market can be settled in the capital market of another country only after conversion among the security markets.

However, due to the complexity of „cross-border” transactions, such conversion takes a longer time, which must be taken into consideration by the Account Holder when accepting a fulfillment deadline in another market. In addition, the Account Holder must also take into account the additional expenses arising during the conversion.

In the various markets differences may occur when processing corporate events relating to „multi-market” securities. This is due to the fact that intermediaries offering direct services to KELER in the individual markets might not offer the same conditions for participation in the specific corporate event.

#### **7.1.1.3. Settlement of foreign securities**

In the course of international settlements KELER allows the Account Holder to settle transactions without payment (FOR, free of payment) and with payment (A/P, against payment). KELER settles orders on a gross basis, and forwards them without verification of cover and invalidated to the outsourced account manager. Thus orders are subject to matching regardless whether sufficient cover is available in the account of the Account Holder. However, the condition of successful deal settlement is that the Account Holder provides cover in line with the applicable deadline that varies by local markets and is linked to the securities cut-off time of local markets.

For foreign exchange settlement of securities purchase and sales transactions involving payment, the rules of foreign exchange account management apply.

Orders relating to foreign securities can be forwarded to KELER electronically, KELER will forward such orders after checking format and content to the outsourced account managers via SWIFT. In the cases determined by KELER, KELER may require orders from the account holder in other communication channels (e.g. via fax) if orders cannot be submitted in the KID system. KELER forwards orders received from account holders to outsourced account managers in line with the FIFO (First In, First Out) principle, that is in the sequence of submitting. The cut-off times for receiving orders are detailed in the „Depository Announcement on Cut-off times to receive, execute and cancel orders”.

KELER shall continuously forward to the Account Holder any information provided by the outsourced account manager on the relevant transaction considerably influencing the status of the transaction to be settled. Subject to the service provided by the outsourced account manager, KELER will ensure for corporate events that the rights of the Account Holder deriving from the securities concerned are not violated.

Regarding foreign securities transactions KELER distinguishes transactions as follows:

- a) transactions within KELER,
- b) transactions within the system of KELER's outsourced account manager (non-local market transactions), that is internal circle transactions, and
- c) so-called local market transactions of various foreign markets.

The rules for settlement and account maintenance of KELER regarding foreign securities are identical with the rules applying for securities issued in Hungary.

From the point of view of the foreign custodian settlement of internal circle transactions is completed among the accounts kept in the system of the outsourced account manager of KELER, in line with the rules of the outsourced foreign account manager. If the custodian bank allows execution of a transaction involving several systems with the submission of one instruction, the fee of the relevant transaction may be different than the fee of internal transaction fees that is individually defined by the custodian bank.

For settlement of the "local market" transactions the outsourced account manager itself uses the services of additional account managers (sub custodians). Settlement of the transactions is primarily made in the system of this middlemen, according to the rules thereof.

Important information on so-called local market settlement in various foreign markets and the cut-off times for submitting instructions are defined in the „Depository Announcement on Cut-off times to receive, execute and cancel orders”. The Account Holder is responsible to comply with the limitations and obligations (sanctions, taxes and interests) specified in the “Depository

Announcement on cross border settlement of foreign securities” and to become familiar with the rules relating to the settlement of local markets not listed in the document.

Based on individual consideration KELER can decide to take into account certain circumstances (e.g. national holidays, local market bank holidays) and deviate from the gross settlement process. KELER will take out the settlement of such transactions from automated processing and such transactions will be settled manually only, individual fees will be applied. KELER takes no liability for eventual damage, sanctions resulting from lack of knowledge of such information and will pass such damage and sanctions to the Account Holder in all cases.

If in the course of transaction settlement the foreign custodian invoices additional extra costs to KELER over and above the transaction fee (e.g. registration fee, stamp duty, tax, etc.), KELER will automatically transfer those to the Account Holder.

In case of settlement of international transactions since KELER does not assess the nature of the transactions, it is the responsibility of the account holder in each case that the instruction and the cover necessary for fulfillment are fully available on the account of the Account Holder in due time, in the interest of successful settlement.

#### **7.1.1.4. Settlement of Hungarian securities with T2S depositories with accounts held in KELER**

Based on individual agreements concluded with depositories that entered T2S and have accounts held by KELER, Hungarian securities settlements are performed in the system of T2S. KELER settles such so-called T2S cross CSD transactions identical to cross-border settlement. Applicable settlement rules can be found in KELER's Depository Announcement on T2S services.

#### **7.1.2. Free of Payment (FOP) transactions**

##### **7.1.2.1. Acceptance of foreign securities (transfer credit)**

In accordance with the data of the instruction for acceptance submitted by the Account Holder, if necessary with observation of the rules of matching, KELER forwards the order to the outsourced account manager.

On the basis of the securities credit advice of the outsourced account manager KELER will credit the securities account/sub-account of the Account Holder indicated in the instruction without delay.

##### **7.1.2.2. "Delivery" of foreign securities (transfer debit)**

The Account Holder may submit instruction for „delivery” of foreign securities for the foreign securities credited to its consolidated securities account.

The instruction is forwarded automatically, without verification of cover to the outsourced account manager as an invalidated message, however, the transaction can be settled only after validation.

If the securities cover required for settlement is available at the account of the Account Holder, securities will be blocked in the securities account. Following successful blocking of securities KELER validates the transaction and forwards the instruction to the outsourced account manager in line with the data of the order.

Based on the debit advice by the outsourced account manager KELER will release the securities earlier blocked for the transaction without delay and thereafter it will debit the consolidated securities account/sub-account of the Account Holder indicated in the instruction.



### **7.1.3. Transactions against payment (A/P)**

Settlement of the foreign exchange side of transactions against payment is completed in line with the rules of the regulation on foreign exchange settlements.

#### **7.1.3.1. Transactions linked to issuance of securities**

In case of purchase transactions linked to issuance of securities the Account Holder has to give the order together with the required cover in compliance with the cut-off times herein stated. In case of transactions submitted late or without cover the foreign account manager reserves the right to back valued financial debit for transactions where settlement of the transaction cannot be made at the date of issuance due to insufficient financial cover. The fees of interest type arising from the above situation will be charged by KELER to its clients.

#### **7.1.3.2. Purchase of foreign securities**

After acquiring the master data of the securities if necessary, KELER will forward automatically as invalidated messages to the outsourced account manager the foreign securities buy instructions submitted by the Account Holder without verifying foreign exchange cover, however, transactions can be settled only after validation. When cover required for settlement is available on the cash account of the Account Holder, blocking of the funds required is completed. Following the successful blocking of foreign exchange KELER will validate the transactions.

On the basis of confirmation of fulfillment of the transaction by the outsourced account manager KELER will release blocking of the foreign exchange and debit the relevant registration account of the Account Holder with the amount concerned and on the securities side KELER will credit without delay the consolidated securities account/sub-account indicated in the instruction of the Account Holder.

#### **7.1.3.3. Sale of foreign securities**

The Account Holder may submit instruction for sale of foreign securities for the foreign securities credited to its consolidated securities account electronically that will be forwarded automatically by KELER, without verification of cover to the outsourced account manager as invalidated message, however, transactions can be settled only after validation.

When the cover required for settlement is available at the consolidated securities account specified by the Account Holder, securities are blocked. Following successful blocking of securities KELER validates transactions.

Based on confirmation of the outsourced account manager for the transaction concerned, KELER will release without delay the securities blocked for the transaction earlier, and afterwards, it will debit the consolidated securities account/sub-account of the Account Holder indicated in the instruction and simultaneously credit the foreign exchange account of the Account Holder in the appropriate foreign exchange.

#### **7.1.3.4. Canceling foreign securities transactions**

Cancellation requests related to earlier submitted instructions will be processed depending upon whether the instruction submitted by the Account Holder is forwarded to the outsourced account manager.

If the original instruction is already sent to the outsourced account manager, the transaction can be cancelled only if KELER already received the confirmation of cancellation by the outsourced account manager.

### **7.1.4. Management of corporate events relating to foreign securities**

KELER shall ensure "participation" on all corporate events in respect of the foreign securities of the Account Holder that are provided by KELER's outsourced account manager for the

securities concerned.

Clients are entitled to participate in a corporate event if they have a securities balance in the securities involved on the record date of the event, or in case of foreign markets the Clients that were the holder of securities according to the details of the buy transaction (deal date, ex-date) but settlement is not yet completed in the system of the outsourced account manager.

On the basis of information received from KELER's outsourced account manager, KELER informs the Clients on details, such as the type of the event, the priority days and the process of execution. The system of KELER automatically forwards to Clients information and SWIFT messages received from the custodian banks. The official language of messages is Hungarian.

The priority days and the process of execution of the corporate events of foreign securities are not (not necessarily) identical with the procedure rules applied for Hungarian securities.

There are two major types of corporate events in terms of intention to participate. There are mandatory events and events where participation is based on voluntary intention.

#### **7.1.4.1. Corporate events of mandatory effect related to foreign securities**

In the course of mandatory events the holders of the securities at the record date (including the participants of the custodian's chain) do not have the possibility to request exemption in respect of the rights and/or obligations arising from the corporate event, the securities or cash movements on their accounts will be effected automatically at the decision of the issuer.

#### **7.1.4.2. Voluntary/choice corporate events relating to foreign securities**

In the course of voluntary/choice events the holders of the securities at the record date (including the participants of the custodian's chain) have the possibility within the limits provided for by the relevant corporate event and the custodian's chain to decide on participation in the event as well as to choose from among the options offered by the issuer.

In case of corporate events if the Account Holder has the opportunity to submit an instruction, KELER will proceed according to the instruction of the Account Holder, if no instruction is available, according to the default procedure published in the information material of the corporate event relating to the respective securities.

If owing to a special corporate event, the Account Holder has claim to cash compensation (e.g. compensation of fraction shares) KELER will execute recording of the compensation of the account of the Account Holder only after the credit item is actually made to the account of KELER kept by the outsourced account manager.

Due to the characteristics of international custodian chains, non-segregated registration and rounding applied by the outsourced account manager for the corporate events, it cannot be excluded that in case of certain corporate events some Clients may get into slightly better while some other Clients into slightly worse situation compared to the original terms determined by the issuer. The Clients cannot have any claim to compensation for the differences arising therefrom.

KELER shall not take any responsibility if the rights of the holders of securities are violated at the general meeting convened by the non-resident issuer of the foreign securities due to the possible long chains of custodians.

#### **7.1.5. Procedure relating to taxation**

KELER pays the yield paid in cash to the Account Holder on net value basis. The amount of tax applied for calculating the net amount depends on the tax residence of the issuer. Deviation from the general tax rate – use of a preferential tax rate – is allowed by agreements to avoid double taxation, and the dedicated securities sub-account opened for this purpose. Failing this, the highest tax rate in use in the country of the issuer is applicable.

For the securities registered in the US market, KELER provides the possibility of using the

preferential tax rates stated in the agreement to avoid double taxation. The applicable rules can be found in KELER's Depository Announcement on Cross-border securities settlement.

## **7.2. Settlement services for transactions made in the XETRA system**

### **7.2.1. General provisions**

In cooperation with the BSE, KELER provides settlement services for the securities transactions made in XETRA system of the Deutsche Börse (hereinafter: XETRA transactions). Clearing of the XETRA transaction is performed by EUREX (the CCP clearing house of XETRA transactions), while settlement is completed by Clearstream Bank Frankfurt, the German central depository. KELER has a securities account with Clearstream Bank Frankfurt and concluded an agreement with a local credit institution (Settlement Bank) providing services for performance of clearing member and settlement bank functions.

The services provided by KELER for settlement of the XETRA transactions are subject to the services provided by third persons being in direct or indirect relationship with KELER, and for KELER's activity the respective regulations of such persons, in particular the exchange settlement rules of Deutsche Börse, EUREX, the Settlement Bank and Clearstream Bank Frankfurt are applicable.

The range of securities acceptable by KELER for XETRA settlement are determined by the securities acceptable in the XETRA System. The basic data of securities determine whether the rules on central guarantee provided by EUREX apply to the securities concerned. The securities appear on the consolidated securities account of the Account Holder only as account receivables, physical delivery in and out is not possible.

KELER's Client trading directly through the XETRA system shall provide the documents necessary for opening an account and for acquiring trading right, based on which KELER will have the Client registered and a sub-account opened for the Client by the Settlement Bank. The XETRA transaction can be settled through KELER only thereafter.

In order to settle the transactions made in the XETRA system the Account Holder has to open a dedicated XETRA sub-account with KELER .

The securities in the dedicated XETRA sub-account of the Account Holder are registered in a segregated account with the Settlement Agent.

Verification of securities and cash cover and settlement are performed in this dedicated XETRA sub-account.

Financial settlement is completed through the EUR foreign exchange account of the Account Holder maintained by KELER.

KELER will directly receive the transactions made in the XETRA system from its Settlement Bank, therefore the Account Holder does not need to report these transactions to KELER. In accordance with the German market standards the dealt transactions are settled on the basis of a settlement cycle of T+2.

The Account Holder is responsible for being aware of the German clearing and settlement rules for performance of XETRA transactions. KELER takes no responsibility for any possible damage, sanctions that may be arising from failure to comply with the above, and KELER will pass them to the Account Holder.

The rules for settlement, account management of foreign securities credited on the basis of XETRA transactions within KELER are identical to the rules on securities issued in Hungary. However, the conversion across markets referred to under cross-border transactions applies to this type of conversion that may be related to cross-border transactions, BÉTa market transactions or other OTC transaction, and KELER performs this conversion in all cases.

KELER assumes no liability for delayed settlement resulting from the time-consuming nature of such conversion.

It is not allowed to submit international (cross-border) settlement order relating to a dedicated XETRA sub-account in the electronic client relationship system. KELER settles such transactions based on manual (telefax) transactions.

The outsourced account manager differentiates two transaction types on dedicated accounts. There are transactions within the market, the so-called CASCADE transactions, in the course of settlement of which the outsourced account manager does not cross the borders of the given market, and transactions outside the market will be settled in the CREATION system.

## **7.2.2. Stock exchange settlements / settlements**

KELER will receive the list of transactions made in the XETRA system on T day from the Settlement Bank in the morning of T+1 day. Settlement of the XETRA transactions will be made for the transactions included in this notification. KELER will forward the list of transactions to the Account Holder in the morning of T+1 day in e-mail.

The XETRA system allows Clients to buy securities of Hungarian issuers directly from other markets. Once such transactions are settled KELER completes conversion to transfer the Hungarian securities to the Hungarian local market, the additional costs thereof will be passed to account holders.

### **7.2.2.1. Acceptance of securities (purchase)**

KELER does not make any preliminary verification of cover in respect of purchase transactions. On the basis of financial debit advice of the Settlement Bank, KELER will initiate debit entries against the Account Holder's foreign exchange account, in the EUR equivalent amount of purchase transactions.

It is the responsibility and obligation of the Account Holder to ensure that sufficient financial cover is available for its T day purchase transactions on T+2 day. The Account Holder has to provide the cover as defined in the document entitled "Information on foreign exchange remittances to KELER". In case of insufficient cover the debit entries remain in the queue.

Parallel with the debit entries on the cash side, on the basis of the securities credit advice by the Settlement Bank and if the counter value of the transaction is available in due time KELER will credit the securities to the dedicated XETRA sub-account of the Account Holder.

### **7.2.2.2. "Delivery" of securities (sale)**

KELER completes no prior verification of cover for sell transactions. Based on the securities side debit advice of the Settlement Bank, KELER debits the securities account of the Account Holder with the number of pieces of securities stated in the sell transactions.

It is the responsibility and obligation of the Account Holder to ensure that the necessary securities in respect of the transactions made on T day are available on its dedicated XETRA sub-account maintained by KELER by 9:00 hrs. on T+2 day.

On the basis of the securities debit advice of the Settlement Bank it takes the collateral securities from the Account Holder's XETRA sub-account. Simultaneously, it credits the Account Holder's EUR foreign exchange account with the counter value of the transaction in accordance with the debit advice of the Settlement Bank relating to the cash side. In case of insufficient cover debit items are queued.

## **7.2.3. Handling defaults**

### **7.2.3.1. General provisions**

KELER reserves the right to use any enforcing mechanism for the purpose of efficient settlement of the transactions that were made available to it by the Settlement Bank both on the securities and cash side, and to charge the Account Holder with the costs thereof.

Since a XETRA transaction cannot be cancelled KELER reserves the right to cover all liabilities arising from the default as well as the costs of any compulsory provision that may be initiated by KELER and/or the Settlement Bank from the defaulting Account Holder, from its collateral blocked as cover for the XETRA transactions or from the amount received as consideration for the relevant transaction. In the event that the collateral related to the XETRA transaction and the bank or securities side counter value of the settlement of the transactions do not cover the costs of the compulsory provisions and any other possible expenses incurred by KELER, KELER has the right to withdraw the free balance of collaterals of the Account Holder and its own securities as a collateral and, if necessary, to sell them in compulsory sale.

KELER reserves the right to exclude the Client who defaulted repeatedly and to a large extent from the settlement system in the way that it requests the Settlement Bank to delete the defaulting member from the list of XETRA members submitted. As a consequence the Settlement Bank will automatically refuse the settlement of the transactions made by the Account Holder.

#### **7.2.3.2. Financial default**

In case of a purchase transaction use of the settlement facilitating mechanism is automatic, thus the transaction will be settled in the German market in case of sufficient securities cover provided by the seller, even if the Account Holder does not have sufficient financial cover on the foreign exchange account kept by KELER. Therefore if an Account Holder does not have sufficient EUR cover on its foreign exchange account for fulfillment of its securities purchase transaction after the deadline stipulated in these Rules, KELER has the right to block the securities deriving from the purchase transaction on the dedicated XETRA sub-account of the Account Holder indicating KELER as beneficiary and to handle them as collateral until financial settlement.

If the Account Holder has provided the necessary cover in foreign exchange with some delay, after settlement of the expenses incurred in the meantime the Client can claim the securities deposited as collateral.

#### **7.2.3.3. Default on the securities side**

If a Client does not have sufficient securities cover on its XETRA sub-account for settlement of sell transactions by the deadline stipulated in these Rules, settlement of the transaction on T+2 day will fail either partially or fully, and KELER will pass all expenses and compensation claims arising therefrom to the Account Holder.

Should the requested securities be later available and if no enforcement mechanism is used that is offered by the Settlement Bank, KELER will take measures to fulfill the transaction in the next settlement round.

#### **7.2.4. Obligation to provide collateral**

The Client participating in the clearing and settlement service in relation to transactions made in the XETRA system has the obligation to provide daily collateral. The basic condition for using the services is the fulfillment of obligations for providing collaterals continuously and in due time.

The range, extent of the collaterals as well as any other details in respect of the collateral are laid down in KELER's Depository Announcement entitled "Collaterals of XETRA settlements".

KELER will have the daily collateral requirement determined by the Settlement Bank created by the Account Holder but at least the minimum amount provided for in the Depository Announcement entitled "Collaterals of XETRA settlements".

KELER reserves the right to

- a) unilaterally increase collateral obligations of the Client being late in providing collateral, for an unlimited period of time,
- b) exclude from the settlement system the Account Holder that is continuously late in performing or defaults in terms of meeting the obligation to provide collateral by requesting the Settlement Bank to delete the defaulting member from the list of XETRA members submitted by it. As a consequence the Settlement Bank will automatically refuse the settlement of the transactions made by the Account Holder.

#### **7.2.5. Lending of securities**

For the purpose of facilitating XETRA settlements KELER may provide securities lending services to its Account Holder having a XETRA sub-account under a special „General Agreement for Lending Securities“. The detailed rules relating to the securities lending are regulated in this General Agreement.

##### **7.2.5.1. Collateral for securities lending**

For securities lending KELER has the right to require a collateral from the Account Holder and to unilaterally change the extent of the collateral during the term of the loan due to change of risks. The rules for granting collateral are regulated in the “General Agreement for Lending Securities“.

## **VIII. Other services provided by KELER**

### **8.1. Blocking of securities due to bank card or cash limit**

#### **8.1.1. General provisions**

Members of GIRO and VIBER can establish bank card and cash limits by blocking securities defined by the MNB for these purposes on the securities account kept at KELER. Blocking for bank card and cash limits is completed based on separate grounds.

The Account Holder is responsible to initiate both the limit increase (by blocking government securities) and the limit decrease (by releasing blocked securities) at KELER.

Further regulations relating to limit management and the range of the acceptable securities, rules for their assessment are included in the respective regulations, instructions of the MNB.

Blocking for cash limit is made until withdrawal, in line with the rules on blocking the blocking for bank card limit can be requested until withdrawal with a specific expiry date or until expiry. In all other cases blocking expiry is the second settlement day before the expiry of the securities at the latest.

Blocking of securities in favor of the MNB can only be made in relation to securities on the own account of the Account Holder that are owned by the Account Holder.

If the cancellation of securities owned by the Account Holder and blocked in favor of the MNB is completed at the request of the issuer prior to the expiry of the securities, KELER executes the cancellation immediately after receipt of the unblocking license provided by the MNB at the request of the Account Holder. If the Account Holder does not request unblocking, KELER completes unblocking prior to cancellation.

#### **8.1.2. Limit increase**

Limit increase is initiated by the Account Holder by submitting an order standardized for this purpose, indicating among other information the type and quantity of the securities to be blocked. Following a successful securities cover verification KELER will block the securities for the purpose of limit. KELER shall notify the MNB and the Account Holder concerned on the blocking.

#### **8.1.3. Limit reduction**

##### **8.1.3.1. Automatic reduction of limit**

The limit value of the Account Holder will decrease on the relevant value date if its securities blocked for the earlier limit expire. Then the blocked securities are automatically released on the day before expiry. KELER informs the MNB on the reduction of the limit on E-1 day, at the end of the daily limit blocking period.

##### **8.1.3.2. Reduction of limit at the instruction of the Account Holder**

The Account Holder is entitled to reduce the value of the limit by submitting an order for release of the blocked securities to KELER

Release of the blocked securities is made according to the instruction of the MNB.

If the MNB notifies KELER that release of the blocked securities is allowed, KELER will release the blocking and informs both the MNB and the Account Holder concerned thereon. In case of release of blocking of securities blocked for limit, partial fulfillment is not allowed.

## **8.2. KELER ensuring the possibility to exercise proprietary rights**

At the instruction of the issuer and/or the Account Holder KELER will ensure the possibility of exercising the proprietary rights in respect of securities managed.

### **8.2.1. Provisions concerning corporate events executed at the instruction of the issuer**

#### **8.2.1.1. General provisions**

On a corporate event that can be executed according to these Rules KELER will inform Clients through the KID system.

If a corporate event cannot be executed according to these Rules, KELER will consult the issuer regarding the rules of procedure that are compulsory and will make them public in the KID system.

For computing the event dates determined in Point 8.2.1. KELER takes into account settlement days.

The shareholder registration requested by the issuer is for the whole amount of securities kept in custody at KELER on the record date.

The Client will provide ownership data to KELER regarding the amount of securities at its disposal.

The Client shall give the bank account number to KELER in advance for which all remittances concerning corporate events involving financial movement are requested to be made. KELER will have the indicated account number shown on the payment instruction to the issuer.

Should the Client fail to give its account number, KELER will give to the issuer in relation to corporate events with financial movement the number of the Account Holder payment account kept with KELER.

The Client will be liable for eventual damage arising from failure to provide the cash account number.

Maintenance of the register of shareholders can be performed for individual issuers under different rules. The issuer is responsible for calling the shareholders' attention to the special rules relating to the register of shareholders concerned, including provisions defined by KELER.

Blocking of securities in favor of the MNB can only be completed for securities on the own account of the Account Holder that are in its property.



### **8.2.1.2. KELER ensuring the possibility to exercise proprietary rights of shares**

#### **8.2.1.2.1. General provisions**

In case of a corporate event involving payment (payment of dividend, payment of interim dividend and share dividend) the issuers of all public shares are obliged to require shareholder registration from KELER.

In case of a corporate event at least 10 business days must pass between the date of the general meeting and the initial date of payment of dividend.

The Client can submit its intention to participate in any corporate event involving blocking of an account for securities at the latest until 16:00 hrs. on E-5 day by fax or until 10:00 hrs. on E-4 day through the electronic client relationship system.

On the basis of blocking instruction KELER will block the amount of securities indicated by the Account Holder from E-4 day to E day. Following E-4 day at the express request of the Account Holder thereto KELER releases the blocking, otherwise blocking is automatically terminated after E day.

In case of all corporate events involving registration of shareholders the Account Holder can submit the data of shareholders wishing to enforce their rights against the issuer at the latest until 15:00 hrs. on E-4 day in the KID system or personally between 10:00 hrs. and 15:00 hrs. on a standardized data carrier to KELER. Data is to be provided in the format and with content of data determined by KELER.

#### **8.2.1.2.2. Announcing the corporate event**

The issuer is obliged to advise KELER on any corporate event immediately after making the decision on the corporate event, at the latest until the fifteenth settlement day preceding the date of the corporate event. If the issuer fails to fulfill or fulfills this obligation only with delay, it will be responsible for any losses that may arise therefrom.

#### **8.2.1.2.2.1. Preferential days of the corporate event**

During execution of the corporate event related to shares the following days are considered preferential days:

- E-10 day: the last day for sending the order regarding the corporate event to KELER. If the issuer fails to meet or is delayed in meeting this obligation, the issuer will be responsible for resulting eventual damage.
- E-7 day (cum date): in case of equities listed on the BSE the last day of trading when ownership rights related to the corporate event are bought and sold together with the securities.
- E-5 day (record date): the shareholder is entitled to exercise proprietary rights if it is registered on this date as the holder of the equities. This is the last day when equities with the due coupon can be delivered in and out.
- E-4 day: the day of transferring the data of the shareholders to KELER. On this day the securities are already delivered in and out without the due coupon. Should the Account Holder still deliver the securities to KELER with due coupon, as a service for payment of a fee KELER will cut the coupon and returns the securities.
- E-2 day: submitting the shareholder registration to the issuer or its agent (and in case of corporate event with payment the payment instruction is submitted also).
- E day (event date): day of the corporate event.

The issuer can suggest that rules deviating from the above procedure are formed.

#### **8.2.1.2.3. Identification of the shareholder by the Account Holder**

Should there be no other instruction by the issuer, on E-4 day the Account Holder shall transfer to KELER the data of the shareholders wishing to enforce their rights against the issuer through the KID system or on a standardized data carrier.

The shareholder of a public company limited by shares that refuses to approve the registration in the register of shareholders cannot exercise its proprietary rights according to the prevailing regulations.

If the aggregate position of the named clients given to KELER by the Account Holder is higher than the aggregated position of the Account Holder concerned on the record date, KELER will not complete shareholder registration. KELER notifies the Client thereon in the KID system or returns the standardized data carrier to the Account Holder without recording.

The Account Holder is obliged to provide KELER with the necessary data by the indicated date in the format required by KELER. If this is not done or is done with some delay, KELER will complete shareholders registration only for the data submitted by the securities account managers within the deadline. KELER assumes no liability for eventual losses arising therefrom.

Should there be no other instruction by the shareholder of a public company limited by shares or its proxy the Account Holder consents to KELER providing to the issuer the data related to equities of securities accounts kept by the account manager.

KELER does not assume any responsibility for the data provided by the Account Holder, it will forward them to the issuer with unchanged content.

#### **8.2.1.2.4. Processing shareholders registration**

Files received through the KID are processed continuously. In case of erroneous items, KELER notifies the Client on the reason of error in KID. After correction of the error the file can be submitted again.

Files are accepted by KELER until 15:00 hrs. on E-4 day, also in case of files corrected by the Account Holder.

If KELER receives erroneous files by 15:00 hrs. on E-4 day, KELER notifies the submitting Client in fax or in KID that the submitted data of shareholders cannot be processed, in this case the Client may forward the data of shareholders directly to the issuer or its agent.

#### **8.2.1.2.5. Allocation**

In case of both dematerialized and physical shares KELER does not perform allocation by number of denomination units, allocation is exclusively made in terms of number of denomination units.

On E-2 day the number of basic denomination units linked to individual shareholders is forwarded to the issuer or its agent on a standardized data carrier.

The standardized data carrier contains authentic data.

In case of non-identified positions KELER will report the aggregate position without name and mark it as non-identified.

#### **8.2.1.3. KELER ensuring the possibility to exercise proprietary rights of debt securities**

At the order of the issuer KELER will participate in the execution of the payment on the due date (interest payment, principal repayment, payment of interest and principal, payment at maturity) and will perform shareholder registration for the debt securities kept at KELER.

**8.2.1.3.1. Preferential days**

- a) E-9 day: last day to send the application for shareholder registration and the payment request to KELER. Should the issuer fail to fulfill this obligation or fulfill it with some delay, the issuer is liable for any damage that may arise therefrom.
- b) E-4 day (cum date): in case of debt securities listed on the BSE the last trading day when trading is with the right to the due date concerned.
- c) E-2 day (record date): persons are entitled to payment and are registered as owners if at the end of this day the securities concerned are in their accounts. Accordingly, until the close of the settlement day concerned operations in debt securities accounts can be executed if participation in the event concerned is required.
- d) E-1 day: account managers are required to submit to KELER the shareholder data on shareholder registration in line with the provisions of the Depository Announcement on Cut-off times to receive, execute and cancel orders.
- e) On E-1 day KELER forwards the payment instruction to the issuer, it contains by Client the cash account number submitted earlier by the Account Holder on the form for this purpose, this is the account number where payments are to be made.
- f) On E day KELER forwards the shareholder registration to the issuer if the issuer requested KELER to complete it.
- g) E day (event date): date of payment and date of registration of holders by the issuer.

The issuer may propose to establish a procedure other than described above, however, the issuer cannot determine shorter periods.

**8.2.1.3.2. Special provisions for shareholder registration**

The Client may submit the data of the holders wishing to enforce their rights against the issuer in the format and with the content of data determined by KELER on E-1 day in KID or personally, on a standardized data carrier.

**8.2.1.4. Ensuring the possibility to exercise proprietary rights of investment units**

In case of investment units managed KELER participates in the execution of events at the due date (yield and yield advance payment, principal repayment, fund expiry, fund conversion) at the written order of the issuer.

**8.2.1.4.1. Preferential days of payments due within the term or prior to maturity**

Preferential days relating to the due date:

- a) E-9 day: last day to submit application on shareholders registration and payment request to KELER. If the issuer fails to meet this obligation or is delayed in meeting it, the issuer will be liable for eventual damage resulting therefrom.
- b) E-5 day (cum date): in case of investment units listed on the BSE this is the last day when trading is with the right to the payment concerned.
- c) E-3 day (record date): persons are entitled to payment on the due date and are registered as shareholders and are entitled to yield and yield advance payment on the due date if the investment units are held in their securities accounts at the end of this day. Accordingly, investment units securities account operations can be completed with the right linked to the due date concerned until the close of the settlement day.
- d) E-2 day: on this day the securities account managers are required to submit to KELER the shareholder data related to the shareholder registration in line with the Depository Announcement on Cut-off times to receive, execute and cancel orders.
- e) On E-2 day KELER shall forward the payment instruction to the issuer that also contains the end of day account balance amounts on the record date by Client and the cash account numbers as indicated by the Clients where due payments are requested to be made
- f) E-1 day: At request KELER shall forward to the issuer the shareholder registration data.
- g) E day (event day): The day of payment and the day when the issuer registers the shareholders.

The issuer may propose to establish a procedure other than described above, however, the issuer cannot determine shorter periods.

#### **8.2.1.4.2.. Handling investment units of a closed-ended investment fund at expiry**

The maturity (FE day) of the closed-end investment fund and the payment related to the units of the fund (E day) are separate. The expiry of the investment fund does not result in the automatic cancellation of the investment unit upon expiry.

#### **8.2.1.4.3. Preferential days related to the expiry of the fund**

If the investment fund expires – provided the fund manager did not submit to KELER a statement to the contrary – no account operations can be completed related to the investment units until their cancellation.

- a) FE-15 day: Statement by the fund manager
  - aa) on the day of payment (E day) and the record date,
  - ab) on the extension or conversion of the investment fund upon expiry,
  - ac) whether account operations in the investment units of the investment fund expired can be completed between FE-6 day and E-3 day.
- b) FE-5 ay (cum date): The last trading day related to the yield payment and principal payment upon expiry of the investment unit listed on the BSE when the unit is traded with the right related to the due date concerned.
- c) FE-4 day: if the fund manager provided statement on the conversion of the closed-end fund into an open-ended fund, recording the details of the conversion related to the expiry date of the fund ensures continuous distribution from the record date of the investment unit until the expiry date of the fund..
- d) FE-3 day: The record date related to the maturity date of the fund. From this day until the payment day (E day) determined by the fund manager, unless the fund manager states otherwise, no account operations can be completed in the expiring investment unit.
- e) FE-day: the day of fund expiry or conversion.
- f) E-9 day: deadline to send the shareholder registration request and the payment request to KELER. If the issuer fails to meet or fails to meet on time this obligation, the issuer is responsible for any resulting damage.
- g) E-3 day, the record date: the person in whose securities account the investment units are held at the end of this day is entitled to payment on the due date and is registered as owner. Accordingly, account operations in the investment units with the right linked to the due date concerned can be completed until the close of the settlement day.
- h) E-2 day: on this day the securities account managers are required to submit to KELER the shareholder data related to the shareholder registration in line with the Depository Announcement on the Cut-off times to receive, execute and cancel orders.
- i) On E-2 day KELER shall forward the payment instruction to the issuer or its agent, it also contains the end of day account balance amounts on the record date by Client and the cash account numbers as indicated by the Clients where due payments are requested to be made.
- j) E-1 day: At request KELER shall forward to the issuer the shareholder registration data.
- k) E day (event day): The day of payment and the day when the issuer registers the shareholders.

KELER is not liable for any damage arising from the failure to fulfill or delayed fulfillment of the obligations stated in the above points by the issuer of the investment unit.

### **8.2.2. Exercising proprietary rights at the request of the Client**

At the request of the Client KELER shall make an individual registration in the register of shareholders and issues a certificate of ownership.

#### **8.2.2.1. Completing the individual registration requested by the Client in the register of shareholders**

The Client may request registration in the register of shareholders in relation to the securities in its custody.

The Client shall apply for individual registration in the register of shareholders at least six settlement days before the due date indicated by the Client (on E-6 day until 16:00 hrs.) on the form used for this purpose and submitted by fax.

Based on the application of the Client KELER will block the amount of securities indicated by the Client on the securities account from E-4 day to E day.

KELER shall forward the shareholders data indicated by the Client on E-4 day to the issuer on E-2 day on a standardized data carrier.

#### **8.2.2.2. Issuing the certificate of holders by the Client**

In order to ensure that the Client is able to exercise its proprietary rights KELER issues a certificate of holders.

The Client may request the issuance of certificate of holders in relation to the dematerialized securities owned. Once the certificate of holders is issued KELER records changes in the account related to the shares only with the simultaneous withdrawal and annulment of the certificate of holders.

### **8.3. Retrospective shareholders registration**

For dematerialized equities at the order of the Supervisory Authority or the written order of the issuer KELER completes retrospective shareholders registration. KELER will announce retrospective shareholders registration in KID.

Retrospective shareholders registration can be requested exclusively from the effective date of 1 July, 2006 of the amendment of the Tpt., for the record date of events starting with this date.

#### **8.3.1. Retrospective shareholder registration at the order of the Supervisory Authority**

At the order of the Supervisory Authority retrospective shareholder registration can be completed that is to be made based on the data effective at the time specified in the order of the Supervisory Authority.

The securities account manager is obliged to provide to the central depository the identification data and the number of shares held of securities account holders that hold the dematerialized shares specified at the time stated in the order regarding the shareholder registration. KELER makes shareholders registration for the data submitted by the securities account managers until the time stated by KELER.

#### **8.3.2. Retrospective shareholder registration at the request of the issuer**

If shareholder registration is completed at the request of the issuer the securities account manager forwards to the central depository the identification data and the number of shares held of securities account holders that hold the dematerialized shares stated at the time stipulated in the order of the issuer and in case of a public company did not give an instruction to prohibit their registration in the register of shareholders and did not request their cancellation.

#### **8.4. Securities lending**

In accordance with individual contract, in order to facilitate market making on the Budapest Stock Exchange, KELER undertakes securities lending.

#### **8.5. Collateral valuation and collateral verification for third parties**

Based on authorization KELER provides the below services for third parties in the framework of collateral valuation:

1. Valuation of collaterals deposited with KELER based on previously agreed conditions of acceptance or based on values (the value of the instrument accepted as collateral by KELER or KELER CCP, at which value the instrument concerned is taken for the collateral purpose concerned) sent by the authorizing party,
2. Item by item and aggregate registration of collaterals actually available, evaluated based on conditions of acceptance,
3. Provision / receipt of information continuously and keeping contact with the authorizing third party.

KELER provides the below services for third parties in the framework of collateral verification:

Collateral verification at KELER for third parties:

- Registration of collateral requirements in the system of KELER based on data submitted,
- Comparing collateral requirements and collateral actually available evaluated in line with conditions of acceptance,
- Providing the result of collateral verification to the ordering party,
- Provision / receipt of information continuously and keeping contact with the authorizing third party.

Collateral verification at third parties with reporting by KELER:

- itemized and summary report of collateral of third parties available at KELER,
- continuous provision/receipt of information and keeping contact with the third party giving the order,
- having the transaction to reduce collateral by the account holder approved by the third party verifying collateral.

#### **8.6. WARP services**

##### **8.6.1. General rules**

For the participants involved in the distribution of open-ended investment fund units KELER operates an electronic, web based order routing system to support the distribution processes in line with the provisions of the User Manual.

Each Distributor is entitled to forward to the Main Distributor in WARP their own orders or the orders taken from their clients on the subscription, the redemption or the switch of open-ended investment fund units.

KELER as the operator of WARP does not become a seller or buyer to the distribution and does not undertake any guarantee for the fulfillment of the settlement transactions.

Only open-ended investment fund units issued in KELER, with ISIN code starting with 'HU', where both the Issuer (Fund manager) and the Settlement party authorized by the Issuer (Fund

manager) as defined by the static data of the security are participants of the system can be distributed in WARP.

### **8.6.2. Participants of WARP**

WARP can be joined by concluding the WARP Service Agreement.

In the system the so-called partner roles define the available functions, the tasks and rights of a WARP partner related to a certain ISIN.

The User Manual defines the tasks and rights of the WARP participants (Fund Manager, Distributor, Main Distributor, Price Uploader, Settlement Party, and Custodian).

All Client wishing to access the system are required to conclude the Service Agreement regardless of the partner role to be played by the WARP partner.

One Client may have several WARP partner accesses (codes).

The Account Holder determines on the form that is part of the Service Agreement the securities main accounts to be available through WARP.

### **8.6.3. The WARP distribution process**

The Client with distributor partner role set for the ISIN concerned is entitled to submit subscription order.

Subscription, redemption and switch orders that can be input in the system can be given both for amount and for number of pieces. (Based on the security master data determined by the Fund Manager.)

The Distributor is responsible for the completion and content of orders.

If the Main Distributor approval is available and the daily price of the investment fund unit is uploaded by the Price Uploader, the system calculates the settlement values of the orders. (The WARP summarizes actual securities and cash amounts to be delivered by Distributor, ISIN and settlement day, taking into account the number of pieces involved in subscription and redemption.)

(In the case of certain investment units – if the Fund Manager allows this option – the transaction can be settled on the securities or the cash side before the valid price is input, depending upon the method used to submit the instruction and the direction of the transaction.)

If the Main Distributor rejects or does not approve the order until the end of the Main Distributor cut-off, the order cannot be fulfilled, it will be cancelled automatically.. Orders cannot be modified or recycled.

If the Main Distributor of an investment fund unit inputs its own subscription order, it is considered immediately accepted by the Main Distributor and only the actual price is necessary for the fulfillment of the subscription instruction. (Except for settlement without price.)

The subscription order input by the Distributor is an order resulting in account movement in the securities sub-account stated, at the same time it is disposal over the account for KELER. (Actual settlement is also subject to the approval of the order by the Main Distributor and the approval of the settlement transactions by the Settlement Party, depending on the parameters the approval can be automatic or manual.)

The Distributor can input subscription order for the trade day concerned until the subscription cut-off (so-called WARP trade cut-off) set by the Fund Manager.

### **8.6.4. Settlement of investment fund units distributed through WARP**

WARP creates settlement transactions from the orders with or without price, depending upon the parameters, and approved by the Main Distributor for the account management system of KELER. Transaction types used in FOP settlement instructions are identical to the standard account operations of KELER (daily creation and cancellation of investment units and securities transfers). In the case of DVP settlement a special, DVP investment unit creation/cancellation transaction is generated.

The condition of recording and settlement of instructions to be executed on DVP basis is that the Settlement Party involved in the trade has a creation securities sub-account No.787878 and both the Distributor and the Settlement Party have active payment accounts kept by KELER in line with the payment account management agreements concluded, exception: if the Client uses the payment account kept by the MNB in Forint to settle the financial leg of the transaction. In the case of non-HUF payment account only the payment account kept by KELER can be used.

FOP transfer operations requested by WARP are fulfilled irrespective of the earlier order of the Distributor regarding sub-account matching.

The Distributor is obliged to make sure that the entire amount of securities required for the fulfillment of redemption is available at its sub-account stated in the order, and in the case of DVP settlement, depending upon the direction of the trade, the Settlement Party or the Distributor is required to have the cash cover for settlement in the Forint or foreign exchange account involved in the settlement.

If the start automatic settlement function was not authorized by the Settlement Party, once the settlement transactions are generated by the system the Settlement Party is required to approve and submit them in WARP. Status information on orders posted to the account management system of KELER can be accessed via WARP.

If the transactions are approved in WARP late, after the cut-off allowing settlement, settlements between the Settlement Party and the Distributor(s) concerned can be fulfilled manually, outside WARP.

Erroneous transactions cannot be resent or modified. Clients involved assume all liability for the damage and consequences arising from the non-fulfillment of transactions without cover or approved after the cut-off.

#### **8.6.5. Trailer fee reports**

WARP allows the Fund Managers to access actual daily volume data (account balances) by account holder of a month concerned related to the investment units they manage. The account balances are available from the business day after the day of registration for the trailer fee services (system input by the Fund Manager). The balances can be modified – optionally – by the correction terms recorded by the Fund Managers and the Distributors and the details of distribution orders that are flagged as trailer fee exempt.

For the volumes subject to trailer fee thus determined the system calculates the commission amount set by the Fund Manager and payable to the Distributors concerned and the result of the calculation is made available to the Fund Manager and the Distributor(s) concerned in a report.

### **8.7. Trade reporting to the trade repository**

#### **8.7.1. General rules**

Pursuant to Article 9 (1) of EMIR KELER CCP reports trades, related to which it contracts a trade repository authorized in line with EMIR. KELER concludes agreements on the trade reporting activity with the contracting parties (Client) subject to the reporting obligation of EMIR.



KELER does not assume any liability for the contents of data it forwards to the trade repository.

### **8.7.2. Trade reporting process**

The Client subject to the reporting obligation uploads data into the system of KELER, in the format determined by KELER (report). KELER checks the format of the report uploaded, if it is found to be in order KELER forwards it to the trade repository.

If the report does not meet the format requirements, KELER informs the Client and requests the error to be corrected. After the format check is successfully completed, KELER forwards the corrected report to the trade repository.

If the trade repository does not accept the report forwarded by KELER, KELER informs the Client without delay by describing the error stated by the trade repository and sending the log including the error slip. The Client is required to upload repeatedly into the system of KELER the report corrected based on the advice.

In line with the provisions of the applicable Depository Announcement KELER informs the Clients without delay on the reports accepted by the trade repository.

The applicable Depository Announcement includes the cut-offs to receive and to advise related to the trade reporting activity. If the Client fails to comply with the cut-off stated in the Depository Announcement, KELER does not assume any liability for the receipt on time of the reports to be forwarded to the trade repository.

## **8.8. Transparency reporting**

### **8.8.1. General rules**

Based on Articles 20-21 of MiFIR, as an Approved Publication Arrangement (APA), KELER publishes the trade data required to be published by regulations based on agreements concluded with the investment firms subject to the publication requirement. The terms of publication are detailed in the applicable Depository Announcement.

KELER assumes no liability for the content of data it publishes; however, it is required to validate that the report submitted by the Client is comprehensive and free of omissions or obvious errors.

### **8.8.2. Publication process**

The Client subject to the publication requirement uploads data into the system of KELER in the format stated by KELER in a Depository Announcement (publication). KELER validates format, and, based on the content requirements in Point 8.8.1. it validates the uploaded report, and if it is found appropriate, KELER publishes the report.

If the publication does not comply with the requirements on format or is incomplete or contains omissions or obvious errors, KELER informs the Client and requests correction. KELER publishes the corrected report after successful format validation.

KELER informs the Client on the reports published without delay, in line with the applicable Depository Announcement.

The applicable Depository Announcement includes the cut-offs to receive and give notification of the publication activity. If the Client does not meet the cut-off stated in the Depository Announcement, KELER assumes no liability for publishing the reports by the deadline.

## **8.9. Trade reporting to the competent authority**

### **8.9.1. General rules**

Based on Article 26 of MiFIR 26, as an Approved Reporting Mechanism (ARM), KELER reports to the competent authorities on behalf of investment firms subject to the reporting obligation, based on contracts concluded with KELER. The conditions of reporting are stated in the applicable Depository Announcement.

KELER assumes no liability for the content of data it publishes.

### **8.9.2. Process of trade reporting**

The Client subject to the trade reporting requirements uploads data into the system of KELER in the format stated by KELER in the applicable Depository Announcement (report). KELER validates the format of the uploaded report, and if it complies with format requirements, KELER forwards it to the competent authority.

If the report does not meet the requirements on format, KELER informs the Client and request the correction of the report. KELER forwards the corrected report to the competent authority after successful format validation.

If the competent authority does not accept the report forwarded by KELER, KELER informs the Client without delay, giving the error stated by the competent authority and the applicable error ticket log, in line with the applicable Depository Announcement. The Client is required to upload the corrected report into the system of KELER based on the notification.

In line with the applicable Depository Announcement, KELER informs the Client, without delay, on the reports accepted by the competent authority

The applicable Depository Announcement states the cut-offs to receive trade reports and give notification. If the Client does not meet the cut-off stated in the Depository Announcement, KELER assumes no liability for receipt of the reports by the competent authority within the deadline.

KELER assumes no liability for the content of reports it forwards.

## **8.10. Market data vending**

KELER can sell the market data collected during the course of operation for a fee. The terms of data use are stated in the applicable form contract. The Client consents to the sale of such data. Data the publication or sale of which is forbidden by regulation cannot be sold.

## **8.11. LEI code issuance**

KELER cooperates in the process of LEI code application, to this end it selects and contracts an organization entitled to issue LEI codes (LEI code issuer).

For LEI code request KELER concludes an agreement with the Client, related to this the Client is requested to submit the following documents:

- document evidencing the right of signature of the authorized signatories of the company,
- copy of the specimen signature of the authorized signatories and the same time presentation of the original specimen signature.

Apart from format checking KELER does not check the content of the LEI code application.

If the application does not meet the format requirements, KELER informs the Client accordingly and calls the Client to correct the error. KELER forwards the corrected application to the LEI code issuer.

KELER informs the Client in e-mail on the issuance of the LEI code without delay, within one business day.

Based on the data provided by the Client at its request KELER cooperates in the maintenance of the LEI code by updating at the LEI code issuer the identification data that are the basis of issuance. The code issued will become inactive if this update is not completed.

## **8.12. Reporting to ACER**

### **8.12.1. General rules**

In line with Article 8 (1) of REMIT, KELER undertakes reporting pursuant to the contract concluded with market participants (Client) that are subject to the reporting obligation stated in REMIT.

KELER does not assume any responsibility for the content of data it reports to ACER.

### **8.12.2. Reporting process**

The Client uploads data into the system of KELER in the format (report) determined by KELER. KELER validates the format of the report uploaded, if the format of the report meets the requirements, it forwards the report to ACER.

If the report fails to meet the requirements on format, KELER informs the Client and requests the error to be corrected. KELER forwards the corrected report to ACER once format validation is successful.

If ACER does not accept the report forwarded by KELER, KELER informs the Client accordingly, without delay, including the description of the error detected by ACER and the error log. The Client is required to upload into the system of KELER the report corrected based on the information received.

KELER informs the Client, without delay, on the reports accepted by ACER, in line with the provisions of the applicable Depository Announcement.

The applicable Depository Announcement includes the reporting related cut-off times to receive and give notice. KELER does not assume any responsibility for ACER receiving the reports in time if the Client fails to meet the cut-off time stated in the applicable Depository Announcement.

## **IX. Agreement concluded pursuant to Act XXIII of 2003 on settlement finality in payment and securities settlement systems**

### **9.1. General provisions**

In this Chapter KELER stipulates the rules of cooperation as provided for in the Tvt. and the rules of cooperation established for the participants of the T2S securities settlement system for the purpose of ensuring finality of the performance and for reducing the risks resulting from any measures limiting payment initiated against a participant of the system..

### **9.2. Participant of the system**

Participants of the system defined in this Chapter are the following Clients of KELER:

- a) credit institution as defined in the Hpt.,
- b) payment institution and electronic money issuer institution based on the act on certain payment providers,
- c) investment company as defined in the Bszt.,
- d) the Hungarian State Treasury,
- e) Államadósság Kezelő Központ (State Debt Management Authority),
- f) Magyar Nemzeti Bank,
- g) a credit institution, investment company and any other entity having their seat in another member state of the European Union that can be a participant of the system in some other member state,
- h) credit institution of third country that complies with the provisions of Section 6 (1) of the Hpt., or investment company of third country that complies with the provisions of Section 4 (2) 39 of the Bszt.,
- i) the central bank of the European Union member state, the European Central Bank,
- j) the central counterparty as defined in the Tpt..

### **9.3. The indirect participant**

The person that has a contractual relationship with any Participant to execute its transfer orders and is named indirect participant by the Participant in the form contract concluded with KELER or the applicable is considered Indirect Participant by KELER.

The herein determined rules governing the transfer orders of the Participant of the System and the invulnerability of collateral apply to the Indirect Participant also until the Participant states in writing that the orders it sent for settlement and fulfillment do not include transactions of an Indirect Participant subject to proceedings to restrict payment, i.e. KELER handles separately the transfer orders of the Indirect Participant subject to proceedings to restrict payment. The statement template is available on the website of KELER.

In other respects the rules on Participants apply to the Indirect Participant.

### **9.4. Joining the system**

The terms of joining the system are as follows:

- provision of the documents stated in Point 2.3.1.1.1. of these Rules and
- provision of the data stated in Point 9.6. of these Rules.

The provisions in Points 9.2. and 9.3. of these Rules and other applicable requirements apply to the change of the level of participation of the Participant of the System.

### **9.5. KELER as System Operator**

### 9.5.1. Tasks and responsibilities of the System Operator

- a) it completes simultaneously the tasks of the securities fulfillment party and the settlement party also in the System,
- b) submits the application for appointment,
- c) notifies the appointing authority on changes to the conditions of appointment,
- d) registers at the court, the authority competent to proceed and T2S to receive notifications relating to proceedings to restrict payment,
- e) keeps contact with the court, the authority competent to proceed and T2S,
- f) notifies the winding-up court, other authorities competent to proceed and the Eurosystem on the registration of the System, the data of the Participants stated in legislation and on changes to these data,
- g) makes the notifications and presents the documents stated in the Tvt.,
- h) keeps the records stated in the Tvt.,
- i) creates, maintains the rules of procedure of Participants necessary for the implementation of the agreement, informs the appointing authority on any amendment to the agreement,
- j) obliged to keep records and retain them for five years based on which the content and time of receiving (year, month, day, hour, minute) of the notice on the start of the proceedings to restrict payment by the court, the authority entitled to proceed or T2S can be checked retrospectively also. KELER ensures the invulnerability of data during the storage of the content and the time of receipt of the notices.

As part of keeping contact with the court, the authority entitled to proceed and T2S, KELER is obliged to

- a) inform them in writing on the persons appointed to receive the notice on the proceedings to restrict payment, including their titles and contact details;
- b) inform them in writing within 15 days on the data of the Participants and on related changes.

The person designated to receive notices on the proceedings to restrict payment by the court, the authority authorized to act and T2S:

Attila Mónus, Chief Executive Officer  
Contact details: [elszamolahazusers@keler.hu](mailto:elszamolahazusers@keler.hu)

**Mailing address:**

KELER Ltd.  
KELER Central Depository Private Company Limited By Shares  
Rákóczi út 70-72, Budapest, H-1074  
Switchboard: +36-1-4836100  
Central Fax: +36-1-342-3539

KELER publishes on its website the name of the person designated to receive the notices.

### 9.5.2. The task of the System Operator in case of notification on proceedings to restrict payment

In line with the internal requirements of T2S and based on Section 4 (1) of the Tvt. the execution and settlement netting of orders received until the notice on the proceedings to restrict payment is taken receipt of can be completed and are unappealable regardless of the opening of the proceedings to restrict payment against the Participant. In line with the internal requirements of

T2S and based on Section 4 (2) of the Tvt. this is applicable to the opening of proceedings to restrict payment against the participant of linked system (System link) and the system operator of the system link that is not considered participant.

In case of receipt of a notification on proceedings to restrict payment KELER shall stop acceptance of the transfer orders of the participant concerned immediately but at the latest within thirty minutes of receipt and notify the appointing authority, the Supervisory Authority, the competent court, T2S as well as the participants.

The above do not affect the right of third parties to appeal against the execution of the transaction received by KELER following the notice on the proceedings to restrict payment is received by KELER in line with Section 4 (3) of the Tvt.

If the System received the transfer order after the time of opening of the proceedings to restrict payment and the order is executed on the same business day, following execution it becomes binding and unappealable by third parties only if KELER evidences that at the time from which the transaction cannot be withdrawn from the System it did not have and was not supposed to have any knowledge of the opening of the proceedings.

After receipt of the notice on the opening of the proceedings to restrict payment, KELER as system operator receives orders only in line with the rules stated in other legal regulations on the execution of the proceedings to restrict payment concerned (e.g. subject to approval by the liquidator, the supervisory commissioner or parties authorized by them).

### **9.5.3. Special rules on the temporary proceeding to restrict payment**

If the notice by the authority entitled to take action or by T2S includes that the proceedings to restrict payment are of a temporary nature, KELER complies with the rules of procedure stated in Point 9.5.2. and after the temporary period it terminates the suspension of the Participant involved and will accept its transactions in the future. KELER terminates the suspension on the day when the authority entitled to take action or T2S informed KELER in writing. Transactions rejected or cancelled during the term of the proceedings to restrict payment cannot be restored subsequently.

### **9.5.4. Special rules in case of proceedings to restrict payment**

#### **9.5.4.1 Special rules by KELER as central depository**

Related to the central depository activity undertaken KELER does not consider the partial cancellation and cancellation of dematerialized securities and the orders submitted related to the management of the central securities register transfer orders pursuant to the Tvt.. If a proceedings to restrict payment are opened against a Participant, KELER is entitled to accept and execute the orders necessary to undertake the above central depository activity and the Participant subject to the proceedings to restrict payment is required to submit the orders necessary to undertake the above central depository activity.

#### **9.5.4.2 Special rules on repo transactions and credit lines**

The management of the repo transaction differs from the management of the DVP type orders regulated by Point 5.4.2.2.4. if proceedings to restrict payment are opened against the Participant between the start and the expiry of the repo transaction. In this case KELER considers the starting and the expiring part of the repo transaction two separate orders and KELER cancels the expiring part of both the hold-in-custody repo and the delivery repo transaction on the expiry date of the repo transaction by securities unblocking in the seller's securities account in the case of hold-in-custody repo transaction and KELER credits it to the securities account of the buyer.

The order related to credit lines is managed differently than the transfer orders herein regulated if proceedings to restrict payment are opened against the Participant concerned between the start and the expiry of the credit line. In this case the credit line of the Participant can be used up to the actually existing credit line collateral – to fulfill its liabilities towards the System. Upon closing the day when the notice on the opening of the proceedings to restrict payment is received KELER takes the not yet expired securities provided as collateral for the credit line and the government securities and cash provided as collateral up to the amount of the credit line.

## **9.6. Obligations of the Participants, Indirect participant of the System**

The Participant, Indirect Participant of the system is obliged as follows:

- a) simultaneously with signing the power of attorney defined in Point 9.4. to provide the following data on the KELER form for this purpose:
  - name,
  - registered office,
  - company register number,
  - tax number,
  - name, deputy/ies of the contact person,
  - position, name of the organizational unit,
  - mail address and e-mail address,
  - telephone and fax number.
- b) to send notification to KELER on any change in the data specified in Point a) within 5 days after the change by completing a new form,
- c) provide to KELER the necessary documents to complete the appointment procedure stated in Point 2.3.1.1.1. of these Rules
- d) within 5 days of demand by KELER present documents of less than 3 months evidencing the data in the previous sub-points (certificate of incorporation, charter document).

In order to comply with the internal requirements of T2S and the provisions of the Tvt., in the course of keeping contact with Participants KELER is entitled to request and register the data stated in the previous sub points, furthermore, to request the documents supporting these data if this is found necessary.

The Participant of the System is obliged to inform the System Operator of the opening of proceedings to restrict payment against it or its direct Participant if it becomes aware of such opening.

## **9.7. Agreement between the participants of the system**

### **9.7.1. General provisions**

The content of the agreement between the participants of the system, provided for in Section 3 of the Tvt. is stipulated in the provisions of these Rules.

### **9.7.2. Time to receive transfer orders**

Points 5.1.1. and 9.5.2. of these Rules include the cut-off times to receive transfer orders in the System and the legal consequences for the System Participants.

### **9.7.3. Special rules on the withdrawal of the transfer order if proceedings to restrict payment are opened**

Following receipt of the notice on the proceedings to restrict payment KELER cancels the transfer orders submitted by the Participant but not accepted until the receipt of the notice on the proceedings to restrict payment.

### **9.7.4. Compensation from collateral**

Pursuant to Section 8 (1) of the Tvt. the proceedings to restrict payment initiated against the System and any participant of the system linked (System relationship), the System Operator not considered participant of the system linked, the central bank of a member state of the European Union and the institution providing central counterparty services to the European Central Bank and third parties providing collateral do not hinder the direct compensation of the claim by the System or any participant and System Operator of the system linked from the collateral.

Pursuant to Section 8 (2) of the Tvt. in the case of proceedings to restrict payment opened against the Participant or the System operator of the system linked, until execution of the transfer order legally accepted in line with Section 4 (1) of the Tvt. the funds and securities registered in the settlement account on the business day corresponding to the day of opening of the proceedings to restrict payment cannot be taken, thus:

- a) the balances of the free purpose cash and securities accounts of the Participant subject to the proceedings to restrict payment and
- b) the balances of its collateral sub-accounts registered on the business day corresponding to the day of opening of the proceedings to restrict payment,
- c) the balance arising from the credit entries posted on the day of opening of the proceedings to restrict payment

that serve to meet the liabilities of the Participant towards the System and the system linked that exist on the business day corresponding to the day of opening of the proceedings to restrict payment.

In the same way the credit line related to the System of the Participant available on the business day corresponding to the opening day of the proceedings to restrict payment can be utilized up to the actually available collateral of the credit line to meet the liabilities towards the System and the linked System existing on the business day corresponding to the opening of the proceedings to restrict payment

The liabilities existing on the business day corresponding to the opening day of the proceedings to restrict payment are the liabilities arising from the transfer orders received pursuant to Section 4 (1) of the Tvt. on the business day corresponding to the opening day of the proceedings to restrict payment.

The credit items received and posted on the business days after the day of opening of the proceedings to restrict payment in favor of the Participant subject to the proceedings to restrict payment can be used to meet the liabilities existing on the business day corresponding to the opening day of the proceedings to restrict payment subject to the instructions of the person authorized to dispose over the cash and securities accounts of the Participant involved in the proceedings to restrict payment during the execution of the proceedings.

### **9.8. Provisions on the time to give notices**

The notice on the proceedings to restrict payment can be sent primarily electronically. KELER receives the notices primarily from the MNB or T2S. If it is not possible to send notices electronically, the obligation to give notice can be met by personal delivery or by mail.



**9.8.1. Time of receiving the notice on the opening of the proceedings to restrict payment**

The notice on the opening of the proceedings to restrict payment is considered received if it can be evidenced that KELER received the written notice electronically at the e-mail address stated on its website or received the written notice at the mailing address stated on its website.

**9.8.2. Notice to the Participants of the System on the opening of the proceedings to restrict payment**

After the notice on the opening of the proceedings to restrict payment is received, KELER as the System Operator pursuant to Section 3 (1) c) of the Tvt. immediately informs the persons designated by the Participants to receive such notice and to take action

- a) on the fact the proceedings are opened, the content of the notice thereof and the time it is received,
- b) the exact time from which the System stopped to receive the orders of the Participants subject to the proceedings.

## **X. Complaint management, sanctions and remedies applied by KELER**

### **10.1. Complaint management**

The Complaint management procedure of the KELER Group, continuously available on the website of KELER, contains the rules of assessing complaints lodged by the Clients.

### **10.2. Sanctions**

In the interest of safety of settlement KELER shall apply the sanctions as laid down in these Rules.

Exclusively an individual decision relating to the individual Client, or their clients can be considered as a sanction.

The sanctions applicable in case of violation of the provisions of these Rules are laid down in the regulations of the activity concerned.

### **10.3. Remedy**

The Client can resort to remedy against a sanction imposed by KELER as follows:

- an application for remedy must be submitted in writing addressed to KELER's General Manager within 30 days after becoming aware of the sanction considered damaging,
- submission of an application for remedy has no delaying force to the execution.

The application submitted will be reviewed by the General Manager defining the sanction at his/her own discretion. If he/she finds the application is justified, he/she has the right to amend the decision taken.

If the General Manager of KELER does not agree with the claim for remedy against the sanction taken by him/her, he/she will put it on the agenda of the next meeting of the Board of Directors. When discussing the application the Board of Directors has the right to give a hearing to the applicant. The Board of Directors shall make a decision at the latest within 60 days from receipt of the application.

The Board of Directors is entitled to repeal and change the decision made by the General Manager.

KELER shall inform the applicant in writing on the remedy decision made within 8 days from making the decision.

### **10.4. Rules of compensation, liability rules**

KELER shall compensate its Clients for any direct material damage that may be caused by KELER's fault by evidence of the Client which damage occurs within the scope of KELER's activity.

KELER assumes no liability for any damage, financial loss, lost profit or any non-material injury which have not occurred within the scope of activity performed by KELER pursuant to the laws or these Rules.

When establishing its fees KELER will consider the limitation of its liability for damages laid down in these Rules.

KELER shall not assume liability:

- for any damage caused by Act of God, act of state, by unjustified refusal or delayed granting of an authority license,

- for the consequence of performance of a false or falsified order the false or falsified character of which could not be recognized despite careful control applied in the course of business as usual operation,
- for any damage arising from delay due to correcting an order that was incomplete and/or that was performed pursuant to such an order,
- for any damage caused by default of postal delivery,
- for damage resulting from delayed performance due to shorter time available for performance than necessary,
- for any damage caused by failure to meet any notification obligation by the Client;
- for any application error, disturbance, technical difficulty (e.g. line breakdown outside KELER), misuses that may occur on the side of the Client during communication,
- for damage resulting from non-performance of items submitted for real time processing concerning an account kept with the MNB due to operation errors of the VIBER system (or any of its elements, e.g. SWIFT, MNB, VIBER),
- for performance on lending transactions made with its collaboration as well as for arrangement of any taxation matters related thereto, except for the „liability for operation“.

The Client is responsible for any damage arising from failure to meet any obligation of notification.

The Client is obliged to call its clients' attention in its General Business Conditions to the fact that the securities deposited as collateral may be used as bail. The Client is responsible for any damage arising from failure to meet this obligation.

The Client is liable for damages arising from the fact that a transaction was initiated in duplicates (both through the electronic client relationship system and in a manually issued form) and therefore it was also processed twice.

Important information on settlement on national, so-called local markets and the submission deadlines for instructions are defined in the “Depository Announcement on International (Cross-border) Settlement of Foreign Securities”. The Client is responsible for compliance with the limitations and obligations (sanctions, taxes, and interest) specified in the information material and for being aware of the rules on settlement of local markets not included in the document.

KELER takes no responsibility for any damage, sanctions that may be arising from non-compliance therewith and will pass them to the Client.

The period necessary for performance of an order received by KELER by postal delivery, the cut-off times to receive documents are laid down in the Depository Announcement on Cut-off times to receive, execute and cancel orders. KELER takes no responsibility for any damage resulting from delayed performance of orders due to shorter time being available for processing than necessary.

**XI. Rules on the Central Credit Information System**

The duties in respect of the Central Credit Information System are laid down in a separate Depository Announcement.

**XII. Closing provisions**

These Rules shall enter into force following approval by the Supervisory Authority, on the date stated by KELER.

The new definitions of the terms 'Settlement cycle' and 'SD' and the amendment to the corporate action dates (Points 8.2.1.2.2.1., 8.2.1.4.1., 8.2.1.4.3.) are valid from 6 October 2014.

KELER applies the provisions allowing unfavorable amendments for the Client stated in Point 2.8.2. of these Rules for the contracts executed after the effective date of the modifications of the Rules accepted in Order 31/2013 of the Board of KELER.