

KELER Zrt.

Regulation on the management of extraordinary situations

v1.1

File description:	Rendkivuli_helyzetek_kezelese_szabalyzat_v1_1.doc
Responsible organizational unit:	Security Management
Number of regulatory document:	4-43
Effective date:	7 September, 2009
Review date:	31 December, 2010

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1. General

1.1. Introductory provisions

Reason of preparing the regulation: NBH Orders 9/2009 (II. 27.) and 10/2009 (II. 27.) require that the organization undertaking clearing house activity pursuant to the Act on the capital market and the central depository regulate in the regulation on the management of extraordinary situations the type and criteria of extraordinary situations and the rules of establishing and making public the extraordinary situation. Accordingly KELER ZRt. completed its regulation on the management of extraordinary situations.

1.2. Revision time

Acting in line with its responsibility and authority the head of Security Management is obliged to take actions to review this regulation in the cases as follows:

- regularly each year, at the latest in the year after the effective date of this regulation on the last working day of the month of the effective date;
- in case of changes to the regulations and regulatory documents defined in Point 1.4.;
- in case of significant changes to the operation environment.

1.3. Scope of regulation

Material scope:

The regulation on the management of extraordinary situations covers the following fields at KELER:

- *Crisis management;*
- *Disaster recovery;*
- *Critical general sources of threat;*
- *Critical business processes;*
- *Critical resources (other resources, human resources and services);*
- *Critical information technology and security resources.*

Personal scope:

The personal scope of this regulation covers all organizational units and employees of KELER and the employees of Co-operating Parties.

1.4. References

Related regulatory documents:

- Regulation on the implementation of the business continuity and disaster recovery plans of KELER and KELER CCP (*BCP/DRP*) (4-33),
- Definition of the availability of the IT system (5-35)

References to regulations:

- Act CXII. of 1996. on credit institutions and financial enterprises (Hpt.),
- Act CXX. of 2001. on the capital market (Tpt.),
- NBH Order 13/2008. (XI. 18.) on information to be provided to the central bank information system, the method and deadline of providing information,
- NBH Order 9/2009 (II. 27.) on the requirements related to the general business rules and regulations of the organization undertaking clearing house activity pursuant to the Act on the capital market,
- NBH Order 10/2009 (II. 27.) on the requirements related to the regulations of the central depository.
- Government Order 283/2001. (XII. 26.) on the personal, material, technical and security conditions necessary for the provision of investment services and commodities exchange services, undertaking securities safekeeping, securities custody and clearing house activity.

1.5. Regulations becoming null and void

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1.6. Version management

Version number of this regulation: v1.1

Version number of previous regulation: v1.0

Effective date of previous regulation: 7 September, 2009

1.7. Terms used in the regulation

Term	Complete description, interpretation
BCP	Business Continuity Plan
BKR	Interbank Clearing System

DRP	Disaster Recovery Plan
DVP	Delivery-Versus-Payment
Co-operating Parties	Jointly the stakeholders, direct participants of the settlement system
KELER	KELER Zrt.
KIB	Crisis and Disaster Management Steering Committee
Crisis Manager, Operations Manager, Responsible contact person	The employee authorized to report extraordinary situations on behalf of the Client
NBH	National Bank of Hungary
VIBER	Real Time Gross Settlement System

2. Preamble

This regulation is made in line with the requirements of the Orders by the President of the National Bank of Hungary of 9/2009 (II. 27.) and 10/2009 (II. 27.).

This regulation defines the types of extraordinary situations, the rules of establishing and making public such situations and the applicable rules or procedure, decision making rights and the method of keeping contact with the Parties participating in the settlement system.

The primary task of KELER is to provide for the continuous operation of the settlement system, as part of it in the course of settlement KELER undertakes both clearing activity and cooperates in the fulfillment of the transaction cleared, additionally as depository the Depository of KELER – by engaging third party service providers - is in charge of physical safekeeping and custody of securities deposited at the Depository and provides services related to physical and dematerialized securities. In order to provide highly reliable services KELER established internal regulatory documents and internal processes to ensure that a quick, efficient and organized response is given to unexpected, extraordinary events.

In order to ensure business continuity and thus the continuous provision of services KELER created internal processes and regulations that are suitable to provide for the continuous operation of KELER even if undesirable events arise (minor operation disorders such as incidents, partial breakdown and crises), and in case of interruption of continuous operation to provide for recovery as soon as possible so that KELER can meet payment and settlement obligations even if undesirable events occur.

KELER took the below measures particularly to manage extraordinary situations:

- The Business Continuity Plan was created that in case of incidents, partial breakdown and crises provides for the required business continuity of KELER;
- The Disaster Recovery Plan was established that in case of disasters defines the tasks to be completed in the interest of recovery;
- KELER has its own back office center that as a recovery site provides for the continuity of processes at KELER;
- With the quantifiable parameters of the Business Impact Analysis method KELER analyzes its business processes from the aspect of the influence the interruption of processes would have on the operation of KELER.

The purpose of the analysis is to select the processes and resources that are critical from the point of view of KELER operation and for which BCP and DRP action plans and background strategies are prepared.

- KELER incorporated in the BCP the operational risks and the processes on the management operational risks related to the tasks defined in the Cooperation Agreement concluded between KELER and the NBH.
- In the Clearing House Announcement on the 'Basic principles of operation time extension' KELER regulates the extension of operation time of DVP securities account transfer and repo transactions and the repo transactions for VIBER members requested by credit institutions.

In accordance with the Co-operation Agreement concluded between KELER and the National Bank of Hungary the NBH makes a decision on the extension of VIBER operation time in line with the requirements of the Clearing House Announcement of KELER on the basic principles of operation time extension that is made based on Attachment 4/a of the General Business Rules of the NBH (Disasters involving VIBER members). In this respect KELER as a credit institution is governed by the same rules that apply to other VIBER members.

3. Categories and rating of extraordinary situations

The types of extraordinary situations identified by KELER and the locations where arising extraordinary events may threaten the business continuity of KELER are described below.

3.1. Types of extraordinary situations

The types of issues threatening the business continuity of KELER are defined as follows. Procedures to be applied in case of the disasters stated below are described in Chapter 4. of this document.

Disaster: a situation or condition (e.g. processes cannot be recovered during a disaster situation; damages due to natural / biological reasons or damages due to fire are incurred) that cause physical damage to the building, equipment of KELER due to which work is partially or fully impossible and operation cannot be continued at the location concerned.

Crisis: a problem effecting the entire KELER that can be solved with the help of action plans and, if necessary, under the supervision of Operative Crisis Management (OCM).

Partial breakdown: an issue effecting several services (but not yet the entire KELER) that can be solved with the help of action plans and, if necessary, under the supervision of Operative Crisis Management (OCM).

Incidents (BCP / DRP event): an issue within a service that can be solved with the help of action plans.

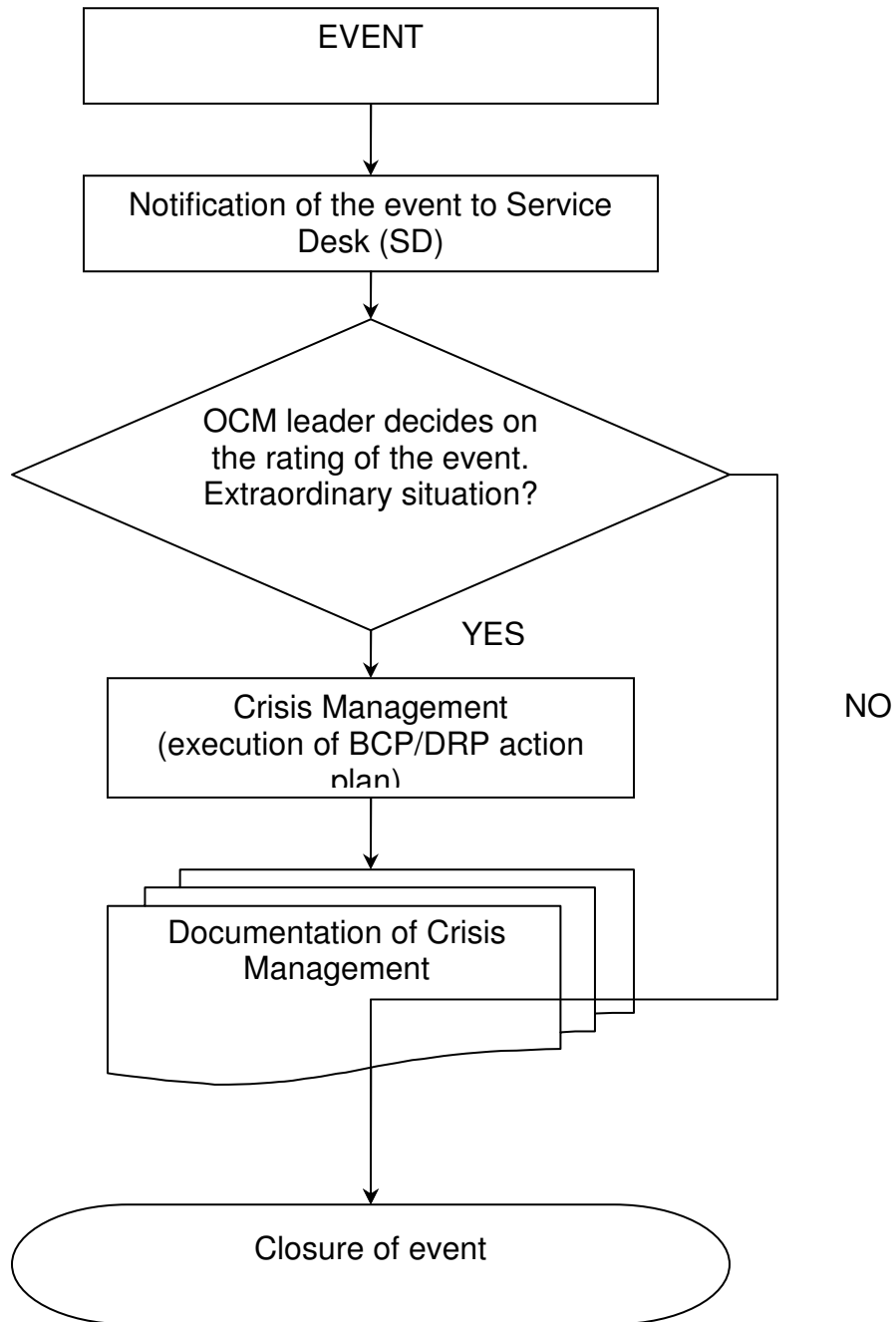
3.2. Parties entitled to rate extraordinary situations

For the management of partial breakdown, crisis and disaster situations KELER establishes a crisis management organization (Operative Crisis Management OCM). The purpose of setting up this organization is to ensure that tasks and responsibilities are defined prior to the occurrence of such events and issues can be efficiently handled. OCM is to be convened in case of partial breakdown, crisis and disaster.

The Head of KELER OCM is entitled to rate a situation threatening the continuity of business of KELER as extraordinary situation.

3.3. Decision and regulation of extraordinary situations

The below chart describes the decision making and regulation process of extraordinary events rated in the first three categories.¹



¹ An event is rated as extraordinary situation if the noticed or reported event in fact exists.

4. Rules of procedure on the prevention / recovery of extraordinary situations

The mission of KELER is to ensure the stable operation and development of financial markets with the competitive services it provides, as part of it to prepare as much as it can for the management of extraordinary situations.

In order to ensure the continuity of business and thus the continuity of services provided KELER regularly completes risk analysis and ratings that ensure efficient counter measures against real risks can be planned and executed.

KELER has action plans to be applied in case of incidents, partial breakdown and crisis that ensure the desired continuity of business with the alternative operation of business processes, recovery of missing resources and the management of general sources of threat.

During the management of extraordinary situations in order to ensure the necessary level of services Clients are to co-operate with the Service Desk of KELER and are to complete during their own operation the activities and take measures related exclusively to error prevention defined by the Service Desk.

KELER informs Clients involved in the event concerned of events and extraordinary situations experienced in its own system and effecting services in various channels:

- via KID,
- by phone / fax,
- in the Internet (at its website of www.keler.hu).

4.1. Procedure in case of disaster

If an extraordinary event occurring in the operation of KELER is qualified a disaster situation by the head of KELER OCM, the KELER Disaster Recovery Plan is activated by the qualification.

In case of a disaster the provisions of the Disaster Recovery Plan will be complied with and the DRP action plans are to be used.

4.2. Procedure in case of crisis

A basic principle of resolving crisis situations is that decision making levels first strive to analyze the system and make proposals to resolve the situation and actually resolve the situation from bottom up, within their own authorization.

In case of a crisis situation or if there is a threat of crisis situation KELER OCM is entitled and obliged to analyze the situation and make a proposal regarding the decisions to be made.

In order to solve the situation the head of KELER OCM is entitled and obliged to make a binding decision for KELER.

In case of crisis the requirements of the Business Continuity Plan are to be complied with and the BCP and related DRP action plans are to be used.

4.3. Procedure in case of partial breakdown

A basic principle of resolving critical situations is that decision making levels first strive to analyze the system and make proposals to resolve the situation and actually resolve the situation from bottom up, within their own authorization.

In case of partial breakdown or if there is the threat of partial breakdown KELER OCM is entitled and obliged to analyze the situation and make proposal on the decision to be taken.

The head of KELER OCM is entitled and obliged to qualify an event as partial breakdown and to make decisions binding for KELER in order to solve the situation.

In case of partial breakdown the requirements of the Business Continuity Plan are to be complied with and the BCP and related DRP action plans are to be used.

4.4. Procedure for all incidents

The head(s) of the organizational units of KELER are primarily responsible to prevent incidents and to solve incident that arise.

A basic principle of resolving critical situations is that decision making levels first strive to analyze the system and make proposals to resolve the situation and actually resolve the situation from bottom up, within their own authorization.

In case of incidents the requirements of the Business Continuity Plan are to be complied with and the BCP and related DRP action plans are to be used.

4.5. Deviation from predefined rules of procedure

OCM is entitled to make a decision on the details of the rules to be complied with when an (individual) event other than the types of events defined above occurs or on the necessity and details of individual measures to be taken in case of a situation that is qualified extraordinary situation.

5. Tasks of Clients

- 5.1 As a basic requirement Clients are expected to know and comply with all rules and reporting obligations defined in the General Business Rules of KELER regarding Clients.
- 5.2 Based on the General Business Rules of KELER and the agreement concluded between KELER and the Client, in cooperation with KELER Clients are to take into account on the one hand the terms of operation of KELER services, and on the other Clients have to take part in completing the tasks defined by KELER in an emergency situation.
- 5.3 Upon the occurrence of an extraordinary situation, in line with the requirements of Point 4. of this document the Client is obliged to act in compliance with the instruction of the head of KELER OCM and/or the NBH manager on duty.

6. Reporting obligation of KELER in case of an extraordinary situation

KELER provides detailed reports with descriptions (W08 or W11) to the NBH on all breakdowns that are qualified crisis situations or disasters and on events that result in an interruption/delay of at least two hours in the execution of payment orders of Clients.

6.1. W08 report – Report on crisis / disaster situation and prevention

Detailed report with description is to be prepared on all breakdowns that are qualified as crisis or disaster situation.

The report is to include at least:

- Detailed description of the crisis / disaster (time, venue and reason of occurrence, impact on the operation of the system, lost resources, conditions of observation, volume and group of transactions involved);
- Ratios on service unavailability (period of crisis / disaster, interruption caused, period of delay, availability);
- Events of crisis management (measures taken, decisions made and the time and venue thereof);
- Description of the situation at the time of preparing the report;
- Internal documents that were made in relation to the crises / disaster (reports, memos, documents of operation);
- Actions taken (or the planned actions) to avoid the occurrence of similar events, and related documents
- Additional planned measures;
- (as appropriate) (planned) method of compensation to Clients and the amount of compensation that was already paid.

Responsible person for making and signing the report:

Head of KELER Security Management. Based on the Crisis and disaster situation report, decisions and minutes of OCM, and other facts the Head of Security Management prepares the report.

Deadline to prepare the report: within 5 business days after the occurrence of the crisis / disaster. If the cause of the error cannot be established within this timeframe, the report is to be prepared within 20 business days at most.

Requirements of submitting the report:

- Frequency of reporting: ad hoc;
- Method of sending: by mail and in GiroXMail/InterGiro;
- Form of sending: on paper and electronically;
- Deadline to submit report: 5th business day after occurrence of the event, but not later than the 20th business day after the event;
- Addressee of the report: NBH Cash Management and Securities Settlement (Pénzforgalom és értékpapír-elszámolás).

Responsible for sending report: Security Management Head

6.2. W11 report – report on breakdowns impacting cash management

Detailed report with description is required to be prepared on all breakdowns that result in a delay of at least two hours in the execution of payment orders by Clients (e.g. system breakdown, delay in sending to BKR, VIBER).

The following events are not required to be reported:

- VIBER operation time extension approved by the NBH;
- Breakdown resulting from VIBER crisis;
- Breakdown resulting from BKR crisis;
- Breakdown previously planned and advised to Clients.

The report is to contain at least:

- The reasons of occurrence of the breakdown (if the reasons is unknown, the measures taken to discover the reason);
- Time of interruption / delay due to the breakdown;
- Impact of the breakdown on the availability undertaken towards Clients;
- Other consequences due to the breakdown;
- Planned additional measures and actions taken to avoid the occurrence of similar situation;
- Scope and volume of transactions impacted and the planned method of compensating Clients.

Responsible to prepare and sign the report: Head of KELER Security Management. The Head of Security Management completes the Crisis and disaster situation report based on decisions and minutes of the OCM and other facts.

Deadline to prepare the report: the report is to be prepared within 5 business days of occurrence of the crisis/disaster. If the cause of the error cannot be established within this timeframe, the report is to be prepared within 20 business days at most.

Deadline of reporting: 5th business day after the occurrence of the event, but not later than the 20th business day after the event.

Requirements of submitting the report:

- Frequency of reporting: ad hoc;
- Method of sending: by mail and in GiroXMail/InterGiro;
- Form of sending: on paper and electronically;
- Deadline to submit report: 5th working day after occurrence of the event, but not later than the 20th working day after the occurrence of the event;
- Addressee of the report: NBH Cash Management and Securities Settlement (Pénzforgalom és értékpapír-elszámolás).

Responsible for sending report: Security Management Head

7. Method of keeping contact

Clients are obliged to provide to KELER Service Desk the name and contact details of their employees designated as Crisis Managers and Operations Managers in relation to the services provided by KELER. The Client can merge the two functions by designating a Responsible contact person. The Client is obliged to provide for the first time the data of the contact persons within 5 business days of the effective date of this regulation, changes in the data of contact persons are to be advised to KELER without delay. The Client is responsible for the consequences of failing to advise KELER.

KELER Service Desk registers the data reported for keeping contact and uses them upon making contact to identify the Client, in case of extraordinary situation reported by the Client the data reported will be used to check authorization to report.

Contact information of KELER:

KELER central phone number: (+36-1) 483-6100

KELER Service Desk phone number: (+36-1) 483-6120

KELER fax number: (+36-1) 342–3539

KELER Service Desk e-mail: servicedesk@keler.hu

KELER central e-mail: keler@keler.hu

8. Publication of the regulation

KELER sends this regulation directly to Clients and / or makes it available on the Internet (www.keler.hu).