

KELER Group

Regulation on the management of extraordinary situations

File name:	6-11 Rendkívüli helyzetek kezelésére vonatkozó szabályzat v1.1 final korr.docx
Responsible unit:	Security Management
Regulation number:	6-11
Effective date:	7 January 2019
Revision date:	December 2018

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1. General part

1.1 Introductory provisions

Reason for regulation creation: periodic review.

1.2 Revision date

Acting within the scope of his/her responsibilities and authorities, the Security Management Head (hereinafter: SM Head) is required to take measures to review the present regulation in the following cases:

- Every two years, not later than the last business day of the month in the second year after the effective date;
- In case of changes to the legal regulations and regulatory documents defined in Point 1.4.;
- In case of major changes in the environment of operation.

1.3 Scope of regulation

Material scope:

The Regulation on the management of extraordinary situations covers the following areas of operation of the KELER Group:

- Crisis management;
- Disaster recovery;
- Critical general sources of threat;
- Critical business processes;
- Critical resources (other resources, human resources and service providers);
- Critical IT and security resources.

Personal scope:

In this document, the KELER Group refers to KELER Central Depository Ltd. (hereinafter KELER) and KELER CCP Central Counterparty Ltd. (hereinafter: KELER CCP) jointly.

It covers all KELER and KELER CCP organizational units and employees.

1.4 References

Related regulatory documents:

- 3-01 KELER General Business Rules
- 3-01 KELER CCP General Business Rules
- 3-09 KELER Ltd. Regulation on business continuity and disaster recovery
- 3-14 KELER CCP Ltd. Regulation on business continuity and disaster recovery
- 4-53 KELER Ltd. Regulation on media statements and crisis communication
- 4-12 KELER CCP Ltd. Regulation on media statements and crisis communication

References to regulations, recommendations:

- Act CXX of 2001 on the capital market
- Act CCXXXVII of 2013 on credit institutions and financial enterprises
- MNB 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
- MNB Order 10/2009 (II. 27.) on the requirements related to the regulations of the central depository
- MNB Order 11/2009 (II. 27.) on the requirements related to the regulations of the organization performing central counterparty activity in line with the Act on the capital market
- Magyar Nemzeti Bank Recommendation 7/2017 on the protection of the IT system
- MNB Order 38/2018. (XI. 14.) on the reporting requirements of the central bank information system primarily related to the performance of the basic tasks of the Magyar Nemzeti Bank
- MNB Order 21/2016. (I. 29.) on the administrative charge of authorization and registration procedures completed by the Magyar Nemzeti Bank in order to supervise the financial intermediary system and related to trustees.

1.5 Repealed regulations

None.

1.6 Version management

Version number of current regulation: v1.3

Version number of previous regulation: v1.2

Effective date of previous regulation: 25.04.2016

1.7 Terms, abbreviations used in the regulation

Term	Full name, meaning
BCP	Business Continuity Plan
BKR	Interbank Clearing System
Security Incident	Each security event that poses a threat to or restricts the execution of value creation processes by the members of the KELER Group, and the security, integrity, confidentiality and availability of the resources (human resources, equipment, services) supporting such processes.
DRP	Disaster Recovery Plan
DVP	Delivery Versus Payment
Co-operating parties	Jointly the stakeholders, direct participants of the settlement system.

Term	Full name, meaning
BCP / DRP event	An event that poses threat to the continuity of KELER services and can be solved with BCP, DRP action plans.
Incident	Undesired or unexpected extraordinary events that pose threat to business activity with a high probability and endanger information security. Incidents can be of security and information nature, the unit concerned is responsible for registering such incidents in the applications for this purpose (ManageEngine ServiceDesk Plus Software, SIEM system).
IT incident	An incident that poses threat to the continuity of KELER services. IT incidents are events that are not part of the usual operation of services that result or may result in the interruption of services and client activity or the deterioration of service quality and client activity.
CA (Critical Applications) matrix	It shows the tolerable blackout time of systems, the dependency of business processes and business applications. Additionally, it includes business and IT responsible persons, and business expectations regarding applications.
Disaster	The term disaster refers to a situation or state (e.g. in a crisis situation, processes cannot be recovered; damage caused by natural/biological factors or fire) that results in physical damage in KELER Group premises, equipment due to which work becomes impossible in full or in part or business cannot be continued at the place of the event.
KELER Group	In this document, the term KELER Group refers to KELER Ltd. and KELER CCP Ltd.
Crisis	An incident impacting the entire KELER Group that can be solved with action plans, and, if necessary, with the direction of the OCM.
Crisis Manager, Operations Manager, Responsible contact person	The employee authorized to report extraordinary situations on behalf of the client.
MNB	Magyar Nemzeti Bank (Central Bank of Hungary)
OCM	Operational Crisis Management. The OCM head may appoint further members depending upon the crisis situation.
Partial breakdown	An incident impacting several services (but not the entire KELER Group) that can be solved with action plans, and, if necessary, with the direction of OCM.
SD	Service Desk is an organizational unit defined by the provisions of the organizational and operational rules of the IT Directorate, its main task is to ensure contact between parties providing and using IT services, manage reports related to IT services, IT system supporting business services, and breakdowns.
VIBER	Real Time Gross Settlement System

2. Introduction

This regulation is prepared in line with the requirements of the Orders by the President of the Magyar Nemzeti Bank of 9/2009 (II. 27.), 10/2009 (II. 27.), and 11/2009. (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 and KELER CCP is to ensure the continuous operation of the clearing system and settlements, as part of it, in the course of settlement, the KELER Group members undertake both clearing activity and cooperate in the settlement of the transaction cleared; and, as securities depository, the Depository of KELER engages third party service providers to ensure the physical safekeeping and custody of securities deposited and provides services related to physical and dematerialized securities. In order to provide highly reliable services, the KELER Group created internal regulatory documents and internal processes to ensure quick, efficient and structured response to unexpected, extraordinary events.

In order to ensure business continuity and thus the continuous provision of services, KELER and KELER CCP created internal processes and regulations that are suitable to provide for the continuous operation of the KELER Group members even if undesirable events occur (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 Group members can meet payment and settlement obligations even if undesirable events arise.

The KELER Group took the below measures in particular to manage extraordinary situations:

- it created the KELER Group Business Continuity Plans that ensure the required business continuity of the KELER Group members in case of incidents, partial breakdown and crises;
- it also created Disaster Recovery Plans that define the tasks to be completed in the interest of recovery in case of disaster;
- KELER and KELER CCP have their own recovery site, as an alternative site that provide for the continuity of processes of the KELER Group;
- with the quantifiable parameters of the Business Impact Analysis method, KELER Group members analyze business processes in terms of process interruption impact on the operation of the KELER Group. The purpose of the analysis is to identify the processes and resources that are critical for the operation of KELER Group members, BCP and DRP action plans and background strategies are prepared for such processes and resources;
- KELER and KELER CCP incorporated in the BCPs the operational risks and the processes to manage operational risks related to the tasks stated in the Cooperation Agreement concluded with the MNB;
- KELER Depository Announcement 'Basic principles of operation time extension' regulates the extension of operation time of DVP securities account transfers and repo transactions and repo transactions for VIBER members requested by credit institutions.

In accordance with the Co-operation Agreement concluded between KELER, KELER CCP and the Magyar Nemzeti Bank, the MNB makes decision on the extension of VIBER operation time in line with the requirements of the Depository Announcement of KELER on the basic principles of operation time extension that is created based on Attachment 4/a of the General Business Rules of the MNB (Disasters involving VIBER members). In this regard, KELER as a credit institution is governed by the rules that apply to other VIBER members.

3. Categories and declaration of extraordinary situations

3.1 Types of extraordinary situations

The events that pose threat to the business continuity of KELER Group members can be grouped as follows (in decreasing order of scope):

- Disaster
- Crisis
- Partial breakdown
- BCP / DRP event

Section 4. of this regulation describes the procedures to be followed by incident type in the case of the following crisis situations.

3.2 Persons entitled to declare extraordinary situations

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

The KELER Group OCM Head is entitled to declare extraordinary a situation threatening the continuity of business of KELER Group members.

3.3 Decisions and regulation of extraordinary situations

The following chart illustrates the process of decision making and regulation related to the declaration of extraordinary events that are threats to business continuity.¹

All KELER Group member employees are required to report to SD or the OCM Head the events that threaten or restrict KELER Group member business continuity.

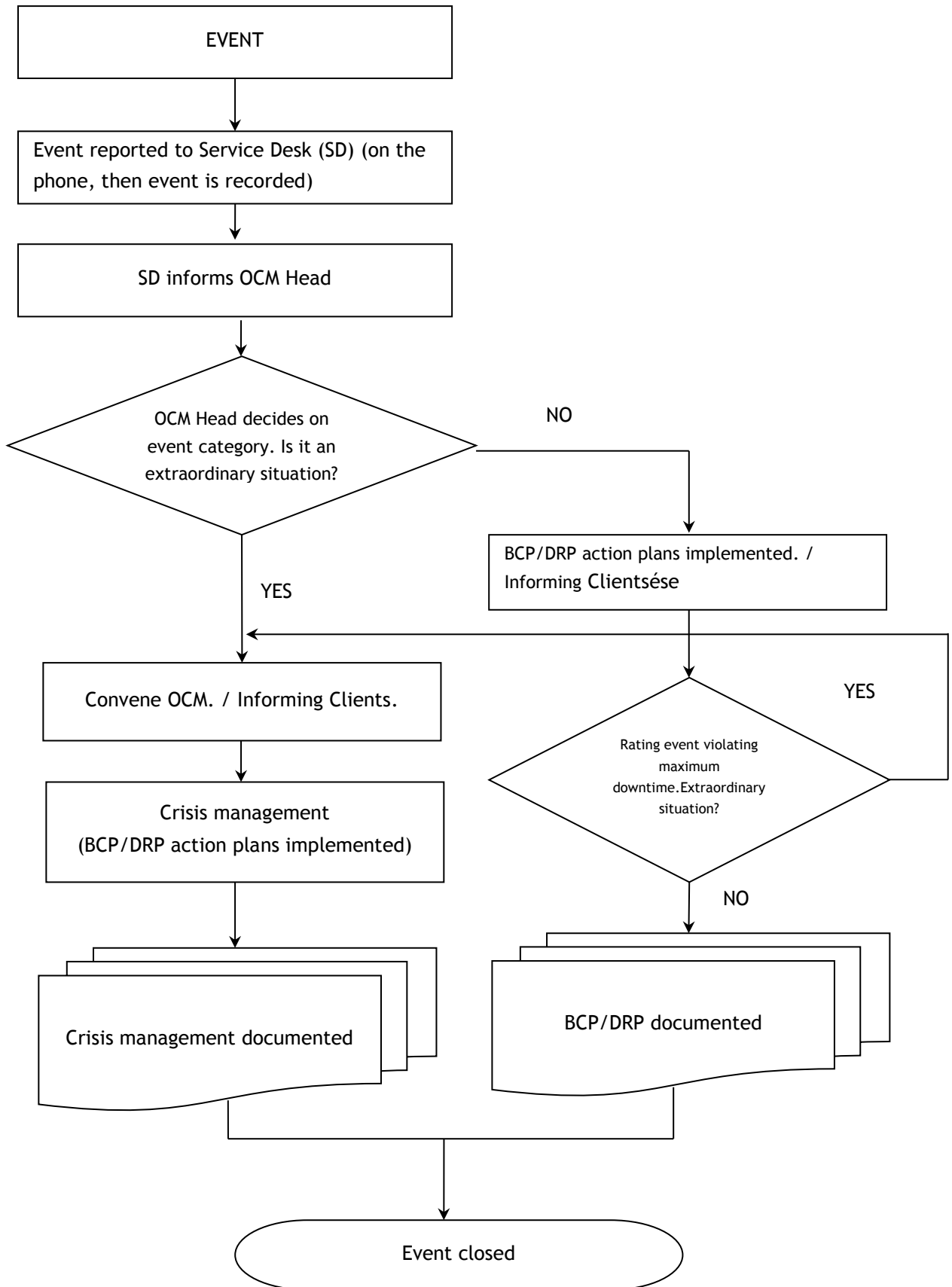
The process of assessment and decision making following the perception of the business continuity event/incident is as follows:

- The person becoming aware of the event informs SD or the OCM Head (SD is required to inform the OCM Head).
- At its discretion, the OCM Head considers potential measures, and, if needed, it consults the competent members of the areas involved in the incident, and defines which of the categories stated in Section 3.1. the event belongs into. If the business process impacted in the CA matrix (available in the \\userhome\BCP_DRP dokumentaciok\Altalanos folder) can be restored within the maximum downtime stated with the use of the BCPs/DRPs, or with error

¹ The event is declared extraordinary situation if the perceived or reported event actually exist.

correction, it is not mandatory to convene the OCM. If it cannot be restored, it is mandatory to convene the OCM, and the event will be rated at least partial breakdown.

- If business systems / processes impacting clients are unavailable, it is mandatory to inform clients (see Section 4.5.).



4. Procedure of extraordinary situation prevention

4.1 Procedure in case of disaster

If the OCM Head declares disaster an extraordinary event in the operation of the KELER Group, the BCP action plans including the replacement processes and the DRP action plans on the impacted resources are activated.

4.2 Procedure in case of crisis, partial breakdown

The basic principle of responding to partial breakdowns is that decision making levels try to analyze the situation, recommend resolutions and solve the situation at their own discretion, from bottom to top. If needed, the KELER Group OCM is convened.

In case of crisis or threat of crisis, the KELER Group OCM is entitled and required to analyze the situation, recommend decisions. The KELER Group OCM Head is entitled and required to make binding decisions for the KELER Group in order to deal with the situation.

In case of crisis or partial stoppage, the provisions of the Business Continuity Plan are to be followed, and the BCP and related DRP actions plans are to be used.

4.3 Procedure in case of BCP / DRP event

The heads of KELER Group member organizational units have the primary responsibility to prevent incidents and respond to any arising incidents.

The basic principle of resolving critical situations is that decision making levels first work to analyze the arising situation, make recommendation to deal with the situation and work to solve such situations, from bottom to top, at their own discretion.

In case of incidents, the provisions of the Business Continuity Plan are to be followed and the BCP and related DRP action plans are to be used.

4.4 Deviation from the procedure

OCM is entitled to make a decision on the detailed procedures to be followed when an (individual) event other than the event types defined above occurs, or on the need for and the details of individual measures to be taken in the extraordinary situation concerned.

4.5. Client communication

KELER Group members use several channels to inform Clients involved on events arising in their own systems and impacting services, extraordinary situations:

- in the KID system,
- in group e-mail,
- by phone / fax,
- on the Internet (on the web site: www.keler.hu; www.kelerkszf.hu).

If an extraordinary situation arises, Service Desk performs client communication based on the contact matrix. The contract matrix has to include the operative contact persons by system, based on which communication is completed. If the system breakdown can be prevented based on the SLA, and a known error occurs, the communication template earlier prepared by business can be used to inform clients. If there is no template earlier prepared and approved by business for the event that arises, business is to be involved and the communication is to be prepared jointly. If the breakdown violates the SLA, it is necessary to involve Strategy and Client Relations Directorate / Client Relations Department in the client communication. The business unit involved has to approve the final communication before sending. After the communication is properly approved, Service Desk informs external partners without undue delay in the channels for this purpose and discussed with the business, and informs the business units of the KELER Group.

5. Responsibilities of clients

- 5.1 As a basic requirement, clients are expected to know and comply with all the rules and reporting obligations applicable to clients, defined in KELER and KELER CCP General Business Rules².
- 5.2 Based on the General Business Rules of KELER and KELER CCP and the agreement concluded between the KELER Group members and the client, in cooperation with the KELER Group, clients are required to take into account the terms of operation of KELER Group member services on the one hand, and, on the other, in line with this published regulation³, clients have to take part in the execution of the tasks defined by the KELER Group in case of emergency.
- 5.3 Upon the occurrence of an extraordinary situation, the client is required to follow the procedures to manage extraordinary situations stated in Section 4. of this regulation, and, depending upon the nature of the issue, act in line with the order of the KELER Group OCM Head and/or the MNB manager in charge. The KELER Group OCM Head and/or the MNB manager in charge draws the attention of the Client to this obligation if required.
- 5.4 In case of change of contact persons, the data and contact details of the new operative contact person are to be reported to the SD.

²

<https://www.keler.hu/Dokumentumt%C3%A1r/Szab%C3%A1lyzatok/KELER%20%C3%81ltal%C3%A1nos%20%C3%9Czletszab%C3%A1lyzat/>

³

<https://www.kelerkszf.hu/Dokumentumt%C3%A1r/Szab%C3%A1lyzatok/A%20KELER%20Csoport%20Rendk%C3%A1dv%C3%BCli%20helyzetek%20kezel%C3%A9s%C3%A9re%20vonatkoz%C3%B3%20szab%C3%A1lyzata/>

6. KELER Group member reporting obligation in case of extraordinary situation

KELER and KELER CCP provide detailed reporting, with description in text format (W08), to the MNB (in line with MNB Order 21/2016) on all disruptions that

- are qualified operation crisis, bank operation crisis, crisis situation or disaster in line with the business continuity plan or regulations (general business conditions, regulation on the management of extraordinary situations, etc.) of the reporting entity, or
- may result in loss of service, delay or damage to expectations related to the service (e.g. incorrect format) during the operation of the payment system or the performance of clearing house, central counterparty or central securities depository services in line with Act CXX of 2001 on the Capital Market.

Based on the crisis and disaster report and OCM decisions and minutes, the SD Head completes the W08 report to be forwarded to the MNB that forms part of mandatory reporting. The person responsible for signing this report, depending upon the nature of the crisis/disaster, is the OCM member representing business or IT.

Person responsible for sending the report: SD Head

7. Method of keeping contact

As part of the contracting process, Clients are required to provide to the KELER Sales Department the names and contact details of operative contact person(s) and employees in their organizations that are designated Crisis Managers and Operations Managers in relation to the services provided by KELER Group members. The client can merge the two functions by designating a Responsible Contact Person. The Client is required to report changes in the data of contact persons to KELER SD without delay. The client is responsible for the consequences of failure to report to the KELER Group.

KELER SD registers the contact details reported and uses such details to identify the client when contact is made, and, in case of extraordinary situation reported by the client, to check the rights to make the report.

KELER contact details:

KELER, KELER CCP switchboard: (+36 1) 483 6100

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

KELER, KELER CCP telefax number: (+36 1) 342 3539

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

KELER central e-mail: keler@keler.hu

KELER CCP central e-mail: kelerccp@kelerccp.hu

8. Publication of the regulation

KELER Group members send this regulation directly to the clients and/or make it available on their websites (www.english.keler.hu, www.kelerccp.hu).