

# **KELER Group**

## **Regulation on the management of extraordinary situations**

File name:	6-11 Rendkívüli helyzetek kezelésére vonatkozó szabályzat v2.2_final korr.docx
Responsible unit:	Security Management
Regulation number:	6-11
Effective date:	30 April 2020
Revision date:	April 2020

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## **1. General part**

### **1.1 Introductory provisions**

Reason for regulation creation: change in the operating environment.

### **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 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 37/2019 (XI. 19.) on the reporting requirements of the central bank information system primarily related to the performance of the basic tasks of the Magyar Nemzeti Bank
- Government Decree 40/2020 (III. 11.) on the declaration of state of danger
- Act XII of 2020 on the containment of coronavirus

**1.5 Repealed regulations**

None.

**1.6 Version management**

Version number of current regulation: v2.2

Version number of previous regulation: v2.1

Effective date of previous regulation: 20 April 2020

**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.
BCP / DRP event	An event that poses threat to the continuity of KELER services and can be solved with BCP, DRP action plans.

Term	Full name, meaning
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.
Partial breakdown / Partial suspension of service	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

The terms used in the regulation shall have the same meaning as specified in the General Business Rules of KELER and KELER CCP.

## 2. Introduction

This regulation is prepared in line with the requirements of the Orders by the President of the Magyar Nemzeti Bank of 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 printed 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/partial suspension of service 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/Partial suspension of service
- 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/partial suspension of service, 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/partial suspension of service, 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.<sup>1</sup>

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

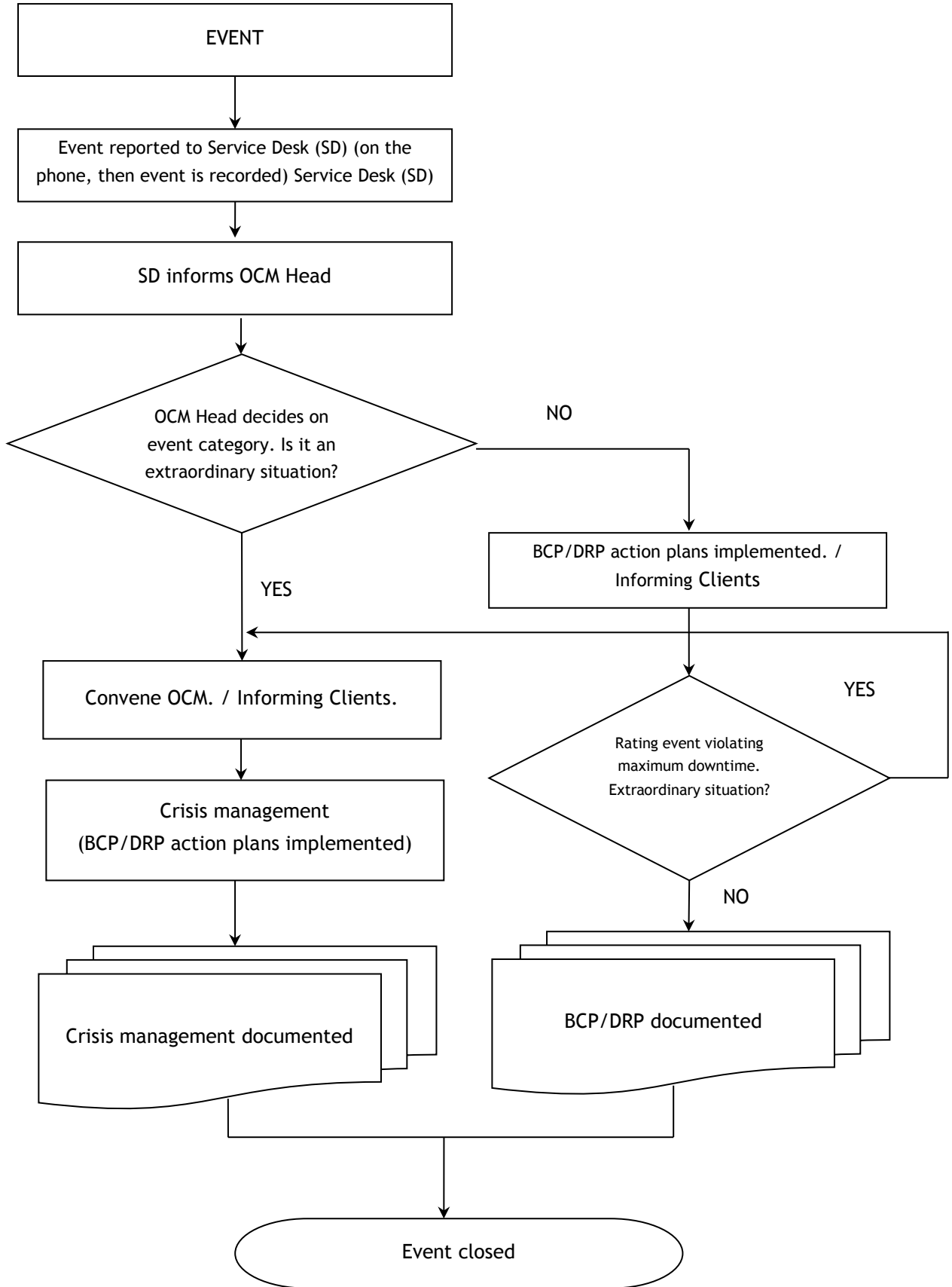
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<sup>1</sup> The event is declared extraordinary situation if the perceived or reported event actually exist.



restored within the maximum downtime stated with the use of the BCPs/DRPs, or with error 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/partial suspension of service**

The basic principle of responding to partial breakdowns is that at decision making levels organisational units and their heads try to analyse 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 analyse 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/partial suspension of service, 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 at decision making levels organisational units and their heads first work to analyse 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 email,
- by phone / fax,
- on the Internet (on the web site: [www.keler.hu](http://www.keler.hu); [www.kelerkszf.hu](http://www.kelerkszf.hu)).

If an extraordinary situation arises, Service Desk and the Marketing area perform client communication based on the contact matrix. The contact 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 area 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 Rules<sup>2</sup>.
- 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 regulation<sup>3</sup>, 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 via the communication channel described in Section 4.5 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.

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<sup>2</sup>

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

<sup>3</sup>

<https://www.kelerkszf.hu/Dokumentumt%C3%A1r/Szab%C3%A1lyzatok/A%20KELER%20Csoport%20Rendk%C3%A0dv%C3%BCli%20helyzetek%20kezel%C3%A9s%C3%A9re%20vonatk%C3%B3z%C3%B3szab%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 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 Head of Management Support Team completes the W08 report to be forwarded to the MNB that forms part of mandatory reporting.

Person responsible for sending the report: Head of Management Support Team

## 7. Method of keeping contact

As part of the contracting process, Clients - in the case of KELER, Account Holder Clients - are required to provide to the KELER Customer Service 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 email: [servicedesk@keler.hu](mailto:servicedesk@keler.hu)

KELER central email: [keler@keler.hu](mailto:keler@keler.hu)

KELER CCP central email: [kelerccp@kelerkszf.hu](mailto:kelerccp@kelerkszf.hu)

In the extraordinary situation detailed in Section 8 hereto: [pandemic@keler.hu](mailto:pandemic@keler.hu)

## **8. Procedure in the extraordinary situation considered as partial breakdown/partial suspension of service related to the state of emergency declared in relation to the outbreak**

The KELER Group introduces the following procedure - with a view to the measures established during the state of emergency declared by the Hungarian Government - in order to prevent the expansion of the outbreak and to ensure the safe and proper performance of the activities of the KELER Group with regard to the extraordinary situation qualified as partial suspension of service by the OCM.

- 8.1 The personal customer service and customer reception are discontinued during the extraordinary situation.
- 8.2 At the registered office the availability of the regulations available at the registered office of the KELER Group and the possibility of making a personal complaint are suspended during the extraordinary situation.
- 8.3 The KELER Group sends the outgoing notifications, letters and documents primarily in electronic form, and signs the documents requiring authorised signature electronically, corresponding to legal requirements.

The electronic documents are sent via encrypted channel or in the form of encrypted scanned or electronically signed documents. The password necessary to open the encrypted scanned document shall be sent to the recipient via a separate channel, usually in SMS.

The KELER Group sends an electronic invoice extract to the concerned clients instead of the printed invoice extract via encrypted channel once a month, to the email address specified by the Client.

The KELER Group sends an electronic invoice to the concerned clients instead of the printed invoice on the fees charged for its services via encrypted channel to the email address specified by the Client.

Mails which are sent by the KELER Group by post are sent with extended administration deadline. If such measures are taken during the state of emergency declared by the Hungarian Government which significantly encumber or render impossible the sending of mails, the KELER Group discontinues the sending of mails by post.

- 8.4 In view of Section 2 of Government Decree No. 145/2020 (IV. 22.) on the measures necessary for the flexible operation of the financial sector in view of the state of emergency, within the frameworks of the Economic Protection Action Plan, the deadline of the information and declaration obligation of the KELER Group to be performed towards its Clients, expiring during the state of emergency may be extended with 30 days in some cases.
- 8.5 The KELER Group receives the incoming requests primarily in electronic form in the form of electronic documents.

In cases where the legislation or the internal regulations of KELER Group with the purpose of prevention of money laundering and fraud require personal customer service use or the



presentation of documents authenticated by a notary public (e.g. the identification of persons having control of the account), the KELER Group accepts the necessary documents sent by post besides the documents with electronic authentication corresponding to legal requirements (e.g. document copies authenticated by the notary public, specimen signatures). In such cases, the KELER Group carries out those set out in the request exclusively following the complete sending of the documents - meeting the proper content and formal requirements - by the Client and the processing by the KELER Group.

The processing of incoming mails sent non-electronically is carried out with extended administration deadline.

With regard to the extraordinary situation, the KELER Group may disregard the personal declaration of the beneficial owner according to Act on Prevention and Combating of Money Laundering and Terrorist Financing (Pmt.) on a risk-sensitive basis and in such cases it accepts the beneficial owner's declaration with Hungarian notary public authentication, diplomatic authentication or, unless otherwise provided by an international contract, with Apostille clause or the beneficial owner's declaration stipulated in an electronic document containing qualified electronic signature. The authentication shall be considered appropriate if the authentication clause clearly justifies that the client made the declaration before a notary public and the notary public identified the person making the declaration. In such cases the Compliance shall check the compliance of the beneficial owner's declaration within the framework of an enhanced procedure and if any doubt arises regarding its compliance, the KELER Group may request additional declarations and, if necessary, the suspension of the account-opening process until the termination of the extraordinary situation.

During the existence of the extraordinary situation, the beneficial owner's declaration made before a notary public is considered performed by the KELER Group if the Client makes the necessary declaration again, in person, within 30 days following the termination of the state of emergency.

If making the beneficial owner's declaration before a notary public by the Client was not possible due to the state of emergency, and the Client satisfactorily proves this to the KELER Group, the Client's declaration made in person within 30 days following the termination of the state of emergency shall be deemed to have been performed within the deadline.

With regard to the extraordinary situation, the KELER Group may initiate the processing of the electronic format (scanned) version of the original, paper-based documents regarding particular documents in the case of particular clients on a risk-sensitive basis if the persons entitled to represent declare under their sole responsibility that the documents sent electronically are fully identical with the paper-based documents, and also undertake that they send the documents sent electronically by post to the KELER Group within seven business days from the electronic sending.

- 8.6 Access to the share register and payment of the consideration shall be discontinued by the KELER Group until the termination of the extraordinary situation.

8.7 Taking into account the provisions set out in Section 4(1) of the Government Decree 46/2020 (III.16.), according to which attending meetings is prohibited, the KELER Group shall discontinue its services related to the conduct of general meetings until the termination of the extraordinary situation.

8.8 Services regarding the dematerialized securities are performed according to the following:

Demat events orderable by the Issuers via the eDEMAT system are performed by KELER exclusively via the eDEMAT system.

Demat events that cannot be performed via the eDEMAT system (e.g.: partial cancellation) are performed by KELER without the personal appearance of the Issuer, as agreed upon with the Issuer in email. Following the performance of the event, the Issuer will be informed of the successful execution via email.

8.9 KELER introduces the following special rules in relation to the management of the Demat events:

8.9.1 The receipt of the paper-based documents is modified to 7-14 business days, thus the processing and prioritisation (normal/urgent) of the Demat events will start from this date.

8.9.2 It deviates from specified formal requirements of the instruction of the Issuer according to the following:

From the Issuer who

- is deemed a Participant according to Section 2(1) j) of the Tvt. (Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems),
- is deemed an investment fund manager according to Section 4(1) Point 19 of the Kbftv. (Act XVI of 2014 on Collective Investment Trusts and Their Managers) or a venture capital fund manager according to Point 60, and
- markets the securities it issues via securities auction performed through the BSE auction trading system,

it also accepts the documents of the instruction of the Issuer in '.pdf' (scanned) format bearing an authorised signature and sent to [kelerdemat@keler.hu](mailto:kelerdemat@keler.hu), and processes them if the representatives of the Issuer declare that the documents sent electronically are fully identical with the paper-based documents, and undertake to send the original documents within 7 business days by post or personal service to KELER, addressed to TEKO.

Those Issuers who do not fall within the scope described above shall specify a Value Date as the Value Date of the Demat event in the instruction of the Issuer to be handed over, and also as the transfer date of the Document, where the delivery time and the change in the process times of paper-based documents must be taken into account. If upon the specification of the planned value date the Issuer notices that the value date it has chosen exceeded the Max. Value Date specified by KELER, it shall request KELER to modify the Max. Value Date via the Message Board of the eDEMAT system, before the finalisation of the Document.

8.10 KELER introduces the following special rules in relation to the blocking and release of blocking of securities:

Joint blocking may still be requested via the form prepared by KELER on condition that the form in '.pdf' format and the sub-account holder's Letter of Instruction in '.pdf' format are sent packaged into an electronic file with '.es3' extension and with qualified advanced electronic signature or advanced electronic signature based on a qualified certificate to the [szamlavezetes@keler.hu](mailto:szamlavezetes@keler.hu) email address.

The Letter of Instruction issued by the Client must contain the email address where KELER will send the Custody Certificate.

Based on the request and the Letter of Instruction, KELER performs the joint blocking and issues a Custody Certificate with electronic signature thereof, which it sends as a reply to the received request to the email address of the sub-account holder.

According to its normal course of business, KELER performs the release of the joint blocking before the expiry of the blocking following the submission of the request for the release and the original paper-based Custody Certificate. The release of the joint blocking before the expiry is not possible with an electronic Custody Certificate, therefore, KELER performs the electronic joint blocking for a maximum duration of 30 days, even if the request specifies a longer deadline. If the Account Holder requests a joint blocking longer than 30 days, the request must be submitted again after 30 days, if the extraordinary situation still exists at the time of the repeated submission, electronically, in the course of normal business it shall request the blocking in a paper-based form in two copies.

8.11 In the case of unilateral and beneficiary's releases of blockings, where a Custody Certificate was issued at the time of blocking, and in the case of releases of blockings with the return of previously issued paper-based Custody Certificates, the Account Holder (the beneficiary in case of blocking by the beneficiary) may request the release with its electronic signature for banking services at [szamlavezetes@keler.hu](mailto:szamlavezetes@keler.hu) on condition that the request must be supplemented with a declaration that following the termination of the extraordinary situation the two original paper-based copies of the Custody Certificate will be returned to KELER.

## **9. 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](http://www.english.keler.hu), [www.kelerccp.hu](http://www.kelerccp.hu)).