

KELER CCP's strategy 2017–2020

Mission: KELER CCP - by managing effectively the risks with strict professional criteria - would like to become the number one capital and energy market clearing house and clearing agent service provider offering services in the region.

For the purpose of legislative compliance, KELER CCP has undergone a remarkable change over the past few years due to the introduction of EMIR. Moreover, the appearance of new legislations (MiFID, MiFIR) is continuously enhancing the CCPs' real competition.

In our strategy, the primary consideration is the uncompromising broader risk management with strong professional basis. KELER CCP is committed to further enhance its prudent and conservative principles of its risk management through the transparency, controllability and the international acceptance of the systems. In our opinion, it is more practical and effective to focus on the determination of sufficient margin requirements besides the exact and up-to-date partner monitoring and rating. In consequence, we take into account our current practices for the future: the personal knowledge of the clients, active contacts or if required the imposition of additional collaterals is worth more than the qualifications based purely on accounting. In order to further enhance our current risk management, after a preparatory and selection process, the development of the new integrated risk management system (IRIS) has begun, which KELER CCP is planning to introduce gradually, per market approximately within 2 years.

KELER CCP has extended its product scope in time, shifting from the capital markets primarily towards the energy markets. We have already possessed the basic features of these two markets, however, our knowledge and resources still require further extension and deepening, especially if KELER CCP undertakes the clearing of other markets in the region, besides the Hungarian ones. Arising from the legislation, the expansion of the product scope can be possible through OTC derivative products; however this project has been postponed due to the risky feasibility, the huge investment needs and projected returns. We also see potential in power markets, and although in terms of new possibilities the current markets have the priority of course, - besides taking into account the principles of the prudent management - we do not refuse to enter into different areas as well.

Since the entry into force of EMIR, CCPs' have to comply with rigorous capital requirements provisions. Currently the HUF 5.8 Billion capital is sufficient for KELER CCP's and the markets' activity, at the same time it is important to emphasize, that even besides maintaining the current markets and products, additional capital requirements might be needed in case the turnover and/or the risk taken increase.

Basically, KELER CCP sees the chance for increasing its volumes, hence to reach the desired economies of scale, by obtaining new clients, launching new products, and providing central clearing for new markets (trading venues). Our essential purpose is to provide CCP clearing services for the Central-Eastern- and South-Eastern European markets and exchanges.

At the Autumn 2016, KELER CCP signed an agreement with the Romanian Commodity Exchange (BRM) for providing central clearing services for BRM's gas market, which is more than just a

business opportunity, but at the same time it provides the possibility for KELER CCP to expand in the region as well.

Moreover, KELER CCP's strategy includes the further maintenance of its general clearing membership role at the European Commodity Clearing AG, the expansion of the activity to other markets as well and the acquisition of new clients.

Regarding the capital market, we are not expecting the rearrangement of the clearing membership structure, a slight increase might be possible, though; while considering the energy markets, mostly due to the BRM project implementation and to the new power markets, new clients are assumed to come. On the capital market, based on the strategy of the Budapest Stock Exchange, a turnover increase can be forecasted, contrary respecting the turnover of the Trading Platform and the balancing transactions a slow erosion, while regarding CEEGEX/HUDEX a moderate increase can be expected.

With the entry into force of MiFID/MiFIR, KELER CCP needs to be prepared for other CCPs entering into the current markets, and establishing links with them.

Regarding to the applied fee schedule of KELER CCP, it is not our aim to achieve the price level of the largest European competitors; however it is important to determine a medium price level which is still acceptable by our clients.

From the owner's perspective, regarding the financial results, year 2018 can be the first year, where the investments and efforts of the years behind and before us could be refunded. Besides the growing income, the strategy implementation is accompanied by cost increase (especially wages, IT system support, transfer pricing) as well, however the extent of this falls behind the dynamics of the revenue increase both in terms of volume and proportion.