

KELER CCP Ltd.

Investment Policy

File name:	Investment Policy v1.5
Responsible organizational unit:	KELER CCP Chief Executive Officer
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Board of Directors approval:	Resolution 7/2017/7. on 8 November 2017
Date of review:	20 September 2017

1. General

1.1. Reason for the preparation / modification of the policy

Business change and annual review.

1.2. Review date

At least once every year, or in the case of changes to the provisions of Point 1.4.

1.3. Scope of the policy

Material scope: investment activity undertaken by KELER CCP in Hungarian Forint and other currencies.

Personal scope: the Risk Management Department and the chief executive officer (CEO).

1.4. References

Related regulations:

- 4-04 KELER CCP's Accounting Policy
- KELER CCP Risk Rules

References to legislation:

- Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (EMIR)
- Commission delegated regulation (EU) No 153/2013 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties (RTS)
- Act CXX of 2001 on The capital market (Tpt.)
- Act C of 2000 on Accounting (Sztv.)

1.5. Repealed regulations

None.

1.6. Version control

Version number of this policy: v1.5.

Version number of previous policy: v1.4

Effective date of previous policy: 9 September 2016

2. Investment principles

KELER CCP can invest its financial resources corresponding to Article 16 (2) and Article 45 (4) of EMIR only in cash or in highly liquid financial instruments with minimal market and credit risk. KELER CCP's investments must be capable of being liquidated rapidly with minimal adverse price effect.

KELER CCP invests its financial resources primarily with KELER, i.e. with the central securities depository, in cash and securities. In line with the cooperation agreement KELER ensures that it invests 100% of the cash deposited with it in highly liquid financial assets by concluding deliverable overnight securities repurchase agreement (hereinafter: repo transaction) each day for the cash deposited with it on behalf of KELER CCP based on the applicable standing order given by KELER CCP under Point V./2. of the cooperation agreement. KELER can conclude repo transaction with respect to the financial assets of KELER CCP for only highly liquid financial instruments with duration not exceeding two (2) years.

For the purposes of this document and the cooperation agreement the publicly issued Hungarian government securities, securities issued by the MNB or deposits with the MNB are highly liquid financial instruments and financial instruments with minimal market and credit risk.

As the issuer of the instruments subject to the repo transaction can be the Hungarian State or the MNB only, counterparty and concentration risks are not relevant. Market risk is managed with the maximum duration of 2 years condition.

Besides cash KELER CCP can buy discount treasury bills issued by the Hungarian State and expiring within one year from its shareholders' equity, KELER executes technically such purchases in line with the outsourcing agreement valid between KELER and KELER CCP. The securities owned by KELER CCP are kept in the securities account managed by KELER.

Collaterals required by the central counterparty will be kept, blocked in customer accounts maintained in KELER. KELER CCP keeps cash provided as contribution to the default fund at an account kept by KELER, separate from its own accounts, related to this account the provisions in the second paragraph of this point on repo transactions apply. Collaterals related to the energy market clearing are partly kept in customer accounts maintained by KELER, partly at the place and in the form required by the ECC (European Commodity Clearinghouse) because of the general clearing member status of KELER CCP.

KELER fully complies with the segregation requirements of EMIR with regard to collaterals and default fund contributions. Pursuant to the cooperation agreement concluded with KELER, during the opening hours of KELER, KELER CCP has immediate and unrestricted access to its own assets with KELER, the default funds with KELER and the collaterals provided or blocked in favor of KELER CCP and kept in KELER, with no need to give notification in advance.

In the cooperation agreement referred to KELER agreed to convert the securities owned by KELER

CCP and the collaterals, the latter in case of compulsory measures related to default, in favor of KELER CCP deposited with KELER, at the order of KELER CCP, into cash on the same day, at the valid market rate, under stressed market circumstances also.

The cooperation agreement concluded by KELER and KELER CCP, the distinguished capital market role of central securities depository played by KELER and the applicable strict prudential regulations ensure that the own assets of KELER CCP and customer funds are managed securely.

KELER CCP can utilize collaterals and default fund contributions in case of default only; these cannot be invested or reused.

During default management, for temporary liquidity creation purposes, KELER CCP is entitled to conclude repo transaction for the collateral securities withdrawn from the defaulter.

KELER CCP does not invest its capital corresponding to EMIR Article 16 (2) and Article 45 (4) and the amounts arising from the requirements stated in Articles 41., 42., 43. and 44. into its own securities and the securities of its parent company or its subsidiary.

Except for the following cases herein defined KELER CCP keeps its own assets promptly available in Forint, securities and foreign currency accounts managed by KELER.

KELER CCP is allowed to deposit its own assets in accounts other than the Forint, securities and foreign currency accounts managed by KELER in the following cases:

- KELER CCP can contribute to default funds managed by other central counterparty, the amount of contribution cannot be taken into account with respect to meeting the requirements stated in EMIR Article 16 (2) and Article 45 (4), and Articles 41., 42., 43. and 44.,
- for house purposes, in addition to the accounts kept by KELER, KELER CCP uses the account opened by MKB Bank Ltd.,
- related to settlement in Euro the account with Citibank Frankfurt AG and OTP banka Srbija,
- related to settlement in British Pound the account with Clearstream Banking AG,
- in line with the provisions of Point 3. of this policy KELER CCP may acquire holdings in other business associations, the amount of holdings cannot be taken into account with respect to meeting the requirements stated in EMIR Article 16 (2) and Article 45 (4), and Articles 41., 42., 43. and 44..

KELER CCP's cash amount placed in cash accounts other than the accounts held with KELER, Clearstream Banking AG and OTP banka Srbija cannot exceed 5% of the total cash amount calculated based on the average of one calendar month. KELER CCP Risk Management monitors compliance monthly.

With respect to its investments, KELER CCP applies the following concentration limits: The value of the KELER CCP securities portfolio (not including the repo portfolio) cannot exceed 80% of the shareholders' equity that is monitored monthly by the risk manager. In case of concentration limit breach KELER CCP is obliged to immediately inform MNB as the Supervisory Authority.

3. Acquisition of holdings

Pursuant to the Tpt. KELER CCP cannot acquire holding and cannot become member in an undertaking for the debts of which it has unrestricted liability regardless of the size of the holding.

Decisions on the founding of companies, the acquisition and sale of direct holding are within the exclusive competence of the Board of Directors considering the regulations layed in Tpt. that will discuss such issues on a case by case basis, based on the presentation by the CEO.

Individual risk assessment is completed prior to the acquisition of holdings. The analysis has to consider the entire credit risk exposure towards individual debtors and it must be ensured that the entire credit risk exposure towards any debtor remains below acceptable concentration limits.

The Accounting Policy of KELER CCP's governs the valuation of holdings.

Once a year the Risk Management Department determines the market value and examines the extent of concentration of holdings for investment and informs the CEO accordingly.

The KELER CCP Risk Rules deal with the rating and the valuation of holdings.