

KELER Group

Regulation on the management of extraordinary situations

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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 Ltd. and KELER CCP Ltd.

It covers all KELER Group organizational units and employees, and the employees of the Co-operating Parties.

1.4 References

Related regulatory documents:

- 3-09 KELER Ltd. Regulation on business continuity and disaster recovery
- 3-14 KELER CCP Ltd. Regulation on business continuity and disaster recovery
- KELER Group General Business Rules

References to regulations:

- 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
- Magyar Nemzeti Bank Recommendation 1/2015 on the protection of the IT system
- MNB Decree 50/2015. (XII. 9.) on the reporting requirements of the central bank information system primarily related to the performance of the basic tasks of the MNB

1.5 Repealed regulations

None.

1.6 Version management

Version number of current regulation: v1.2

Version number of previous regulation: v1.1

Effective date of previous regulation: 15.06.2015

1.7 Terms, abbreviations used in the regulation

Term	Full name, meaning
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
BCP / DRP event	An event that poses threat to the continuity of KELER services and can be solved with BCP, DRP action plans.
Incident	An event that SD registers in the SIEM system. Incidents can be IT security or IT incidents.
IT incident	An incident that poses threat to the continuity of KELER services and can be solved with incident management. 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.
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.
OCM	<p>Operational Crisis Management. It is led by the SM Head, permanent members are appointed in Attachments 2. of the following documents:</p> <ul style="list-style-type: none"> • 3-09 KELER Ltd. Regulation on business continuity and disaster recovery • 3-14 KELER CCP Ltd. Regulation on business continuity and disaster recovery <p>The OCM Head may appoint additional members depending upon the crisis situation concerned.</p>
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)
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, KELER unit that receives error reports and deals with errors
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.) 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 the KELER Group is to ensure the continuous operation of the settlement system, as part of it, in the course of settlement, the KELER Group undertakes both clearing activity and cooperates 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, the KELER Group created internal processes and regulations that are suitable to provide for the continuous operation of the KELER Group 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 the KELER Group 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 Plan that ensures the required business continuity of the KELER Group in case of incidents, partial breakdown and crises;
- it also created the KELER Group Disaster Recovery Plan that defines the tasks to be completed in the interest of recovery in case of disaster;
- the KELER Group has its own recovery site, as an alternative site that provides for the continuity of processes of the KELER Group;
- with the quantifiable parameters of the Business Impact Analysis method, the KELER Group analyzes 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 the KELER Group, BCP and DRP action plans and background strategies are prepared for such processes and resources;

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- the KELER Group incorporated in the BCP the operational risks and the processes to manage operational risks related to the tasks stated in the Cooperation Agreement concluded with the MNB;
 - the KELER Group 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 the KELER Group 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 the KELER Group 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, the KELER Group 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 the KELER Group 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, the KELER Group sets 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 the KELER Group.

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

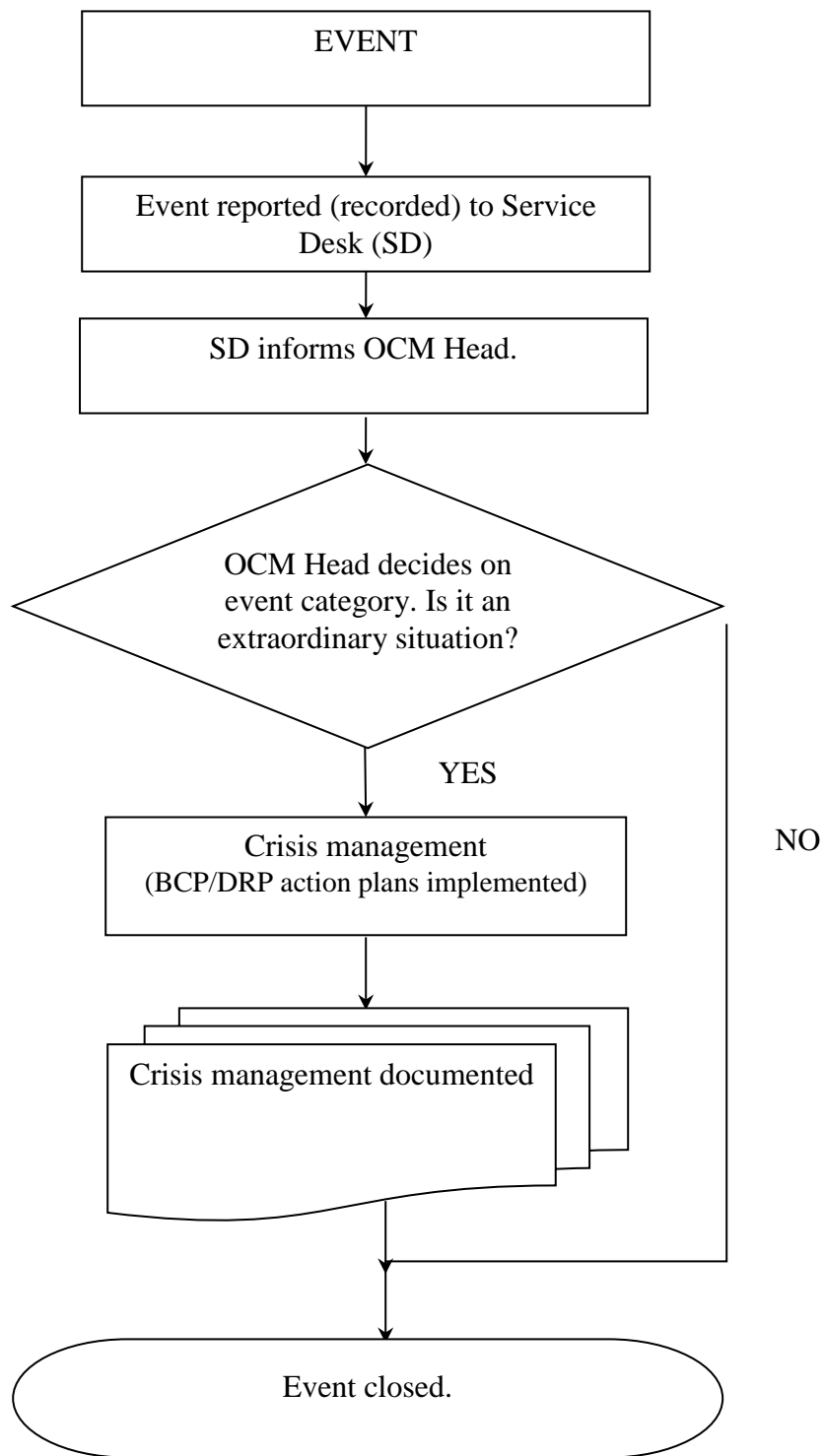
Reporting:

All KELER Group employees are required to report to SD or the OCM Head the events that threaten or restrict KELER Group 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:

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



4 Procedure of extraordinary situation prevention

The KELER Group informs the clients concerned in several channels on the events, extraordinary situations that arise in its own systems and impact the services provided:

- in the KID system,
- by phone / telefax,
- on the internet (on the web site at: www.keler.hu).

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 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.

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 the KELER Group General Business Rules².
- 5.2 Based on the General Business Rules of the KELER Group and the agreement concluded between the KELER Group and the client, in cooperation with the KELER Group, clients are required to take into account the terms of operation of KELER Group 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.

²

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

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

6 KELER Group reporting obligation in case of extraordinary situation

The KELER Group provides detailed reporting, with description in text format (W08), to the MNB (in line with MNB Order 48/2014) 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, 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

Clients are required to provide the KELER Group Client Relations and Marketing Department the name and contact details of employees in their organizations that are designated Crisis Managers and Operations Managers in relation to the services provided by the KELER Group. The client can merge the two functions by designating a Responsible Contact Person. The client is required 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 the KELER Group without delay. The client is responsible for the consequences of failure to report to the KELER Group.

The KELER Group Client Relations and Marketing Department 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 Group contact details.

KELER Group switchboard: (+36-1) 483-6100

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

KELER Group telefax number: (+36-1) 342–3539

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

KELER Group central e-mail: keler@keler.hu

8 Publication of the regulation

The KELER Group sends this regulation directly to the clients and/or makes it available on the internet (www.keler.hu).