

# General Business Rules of KELER CCP Ltd.

Board of Directors approval:

Order 42/2015/2016  
on 24 November 2015 19 February 2016

Number and date of approval  
by the MNB:

Order H-EN-III-192/2015-/2016  
on 18 December 2015 2016

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## List of expressions and abbreviations used in the Rules, their definition

### Definitions

<b>Initial margin:</b>	Collateral specified by KELER CCP with the use of the SPAN ® Initial Margin Calculating Software for the Clearing Member as collateral to cover risks of at least two days for the settlement of guaranteed regulated market and CEEGEX physical futures transactions.
<b>Dedicated own resources:</b>	The resources provided and separated by KELER CCP in the interest of guarantee undertaking.
<b>Basic financial collateral:</b>	Collateral stipulated by KELER CCP by types of transaction / sections / markets for the settlement of guaranteed regulated market, gas market and energy market transactions; it is a condition of taking a position.
<b>Non-clearing Member:</b>	Legal person having trading right in the regulated market, the guaranteed regulated market transactions of whom are guaranteed by KELER CCP for the general clearing member based on the agreement concluded with the general clearing member.
<b>Intra-day clearing:</b>	The extraordinary guaranteed clearing event during which in case of the previously announced maximum price change is reached KELER CCP orders intra-day clearing, based on which it determines the variation margin, the collateral to be created for an open loss and it will be blocked on the account of the Clearing Member until the date of the next clearing.
<b>Spot market:</b>	Spot securities market of the (BSE).
<b>Spot transaction:</b>	BSE agreement on the fulfilment of physical goods or warehouse warrants at a predetermined point in time
<b>Government securities:</b>	Any debt securities issued by the Hungarian or a foreign state, the Magyar Nemzeti Bank, the European Central Bank or by central banks of any other member states of the European Union.
<b>Market maker:</b>	The market participant concluding a contract with the BSE for such an activity.
<b>Variation margin:</b>	In the case of derivative position, CEEGEX physical futures position or energy market futures position the difference between the previous day settlement price and the contract price of the deal made on the day concerned that is calculated and financially settled daily.
<b>Variation margin collateral:</b>	In the case of transactions with multinet settlement any collateral created by the Clearing Member for a negative variation margin. For transactions with multinet settlement the first day variation margin results from the difference between the contract price and the closing rate of T day,



while the variation margins of subsequent clearing days is the difference between the closing rate of the current day and the closing rate of the previous clearing day.

<b>Commodities market service provider:</b>	Enterprise defined in Sections 9-11 of the Bszt.
<b>Bank guarantee:</b>	Commitment by the bank in which it assumes the obligation to make payment to the beneficiary up to a defined amount and within a fixed deadline under specified conditions, including in particular the occurrence or non-occurrence of certain events as well as the submission of certain documents.
<b>Investment enterprise:</b>	Enterprise defined in Section 4 (2) (9) of Bszt.
<b>Collateral value:</b>	The value of an asset accepted by KELER CCP as collateral at which the relevant asset is taken into account for the purpose of the relevant collateral.
<b>Domestic gas market Clearing Member:</b>	The gas market Clearing Member that is considered domestic taxpayer pursuant to the ÁFA tv.
<b>BSE market:</b>	The exchange pursuant to Tpt.
<b>BSE product:</b>	The Stock Exchange product and the BSE MTF product.
<b>BSE transaction:</b>	The transaction defined in Section 319. of Tpt.
<b>BSE futures transaction:</b>	Standardized sale of BSE product at a determined price for a future date, with KELER CCP involved in the settlement.
<b>BÉTa market:</b>	The name of the multilateral trading system for trading cross-border securities operated within the BSE MTF pursuant to the Bszt.
<b>BÉTa product:</b>	Securities traded on the BÉTa market.
<b>BÉTa transaction:</b>	Transaction concluded on the BÉTa market.
<b>BSE MTF:</b>	The name of the multilateral trading platform(s) pursuant to Bszt. operated by the BSE.
<b>BSE MTF transaction:</b>	Transaction concluded on the BSE MTF market.
<b>BSE MTF product:</b>	Securities traded on the BSE MTF market.
<b>Collateral:</b>	Any asset provided by the Clearing Member or the energy market Non-clearing Member to settle a transaction or meet an obligation.
<b>Collateral asset:</b>	Aggregate name of the assets, collaterals available to the entitled party that are provided to cover different margin and collateral requirements stated by KELER CCP.
<b>Collateral requirement:</b>	Different collateral needs defined by KELER CCP for the purpose of reducing risk and their aggregate value.

<b>Supplementary collateral:</b>	Collateral element required by KELER CCP from the Clearing Member and energy market Non-clearing Member for regulated market transactions, gas market transactions and energy market transactions that is used to cover (temporary or permanent) shortages in other Clearing Member, energy market Non-clearing Member capital or individual and collective collateral elements.
<b>Free balance of the collateral:</b>	Part of the collateral over the amount of the collateral that is obligatory to be provided.
<b>Collateral type:</b>	Different collateral requirements defined by KELER CCP that constitute part of the guarantee system, such as initial margin, financial collateral, etc.
<b>CEEGEX KGA:</b>	CEEGEX Default Fund. A separate collective guarantee in joint ownership, created by CEEGEX Clearing Members and KELER CCP to reduce losses arising from CEEGEX transaction settlement, delay or failure in meeting payment obligations.
<b>CEEGEX transaction:</b>	Transaction in products traded at CEEGEX. CEEGEX "Market Rules" define products traded at CEEGEX.
<b>Delivery:</b>	Fulfilment of derivative transactions by physical delivery.
<b>Derivative product:</b>	The subject of the derivative transaction.
<b>Derivative transaction:</b>	Futures and option transaction made at the BSE.
<b>ECC Clearing Regulation:</b>	The public regulation defined as such by ECC.
<b>Imbalance transaction:</b>	A special transaction made by KELER CCP between the TP Clearing Member and KELER CCP that contains the daily imbalance of the TP Clearing Member. (The TP Clearing Member is obliged to sell or buy from / to KELER CCP the resulting excess or shortage). In the transaction created by KELER CCP with FGSZ KELER CCP fully closes its own gas position daily (FGSZ is obliged to buy and sell the excess or shortage of KELER CCP).
<b>Sell (put) option:</b>	A sales contract with suspended effect (derivative transaction) where the entitled party of the put option acquires the right of future sale of the subject of the option at a so-called exercise price against payment of the option premium.
<b>Settlement netting:</b>	Transforming the receivables and payables arising from transfer orders of any Participant received from or sent to another Participant of the System into a single net receivable or net payable amount, as a result the receivables or payables are limited to this net amount.
<b>Settlement cycle:</b>	In the case of a contract announced with physical

securities settlement the last trading day of the month of expiry, in the case of an option the period between the clearing day following the exercise and the day of effective execution of the physical settlement (DVP transaction), according to the settlement cycle (T+2) of the spot product.

**Clearing day:**

The calendar day on which KELER CCP provides clearing service. KELER CCP publishes the detailed clearing calendar at its website.

**Settlement agent:**

The person having bank account with KELER, or bank account with the MNB and securities accounts with KELER and maintaining accounts necessary for multinet settlement for the Clearing Member and the Non-clearing Member and providing service in the interest of settlement in accordance with the agreement concluded.

**Settlement system:**

The mutual agreement concluded by the members of the system on the processing, clearing and fulfilment of money and capital market transactions made at the stock market or over-the-counter in compliance with a uniform order and common rules.

**Settlement party:**

The term specified in Section 2 (1) b) of the Tvt.

**Depository Announcement:**

A document containing further detailed, additional requirements, obligations, and procedural orders by KELER with respect to KELER's services.

**Energy market:**

The markets guaranteed and cleared by ECC related to which KELER CCP provides energy market non-clearing member service: HUPX, EPEX SPOT, EEX, CEGH, PXE, Powernext/PEGAS, APX, SEEPEX, Gaspoint Nordic, Norexeco.

**Energy market transaction:**

A transaction concluded for products traded in the energy market. The regulation of the energy market concerned contains the definition of products traded on the energy market.

**Energy market initial margin:**

Collateral comparable to risk, stipulated by KELER CCP for the settlement of energy market futures transactions for the energy market Non-clearing Member.

**Energy market Non-clearing Member:**

A person with energy market trading rights that concluded an energy market non-clearing membership agreement with KELER CCP.

**Energy market non-clearing membership service:**

Obligation undertaken by KELER CCP as a general clearing member of ECC regarding the settlement of energy market transactions of energy market Non-clearing Members.

<b>Energy market turnover margin:</b>	Collateral stipulated by KELER CCP for the settlement of energy market day-ahead transactions for the energy market Non-clearing Member
<b>Energy market settlement agent:</b>	The credit institution registered in Serbia that for the energy market Non-clearing Member registered in Serbia maintains the accounts necessary for energy market clearing and provides service to facilitate clearing based on separate agreements concluded with both KELER CCP and the Energy market Non-clearing member.
<b>TP KGA:</b>	TP (Trading Platform) Default Fund. A separated/collective guarantee in joint ownership, established by TP Clearing Members and KELER CCP to reduce losses deriving from the settlement of TP transactions, fails or default of payment obligations.
<b>TP position limit:</b>	The limit on bid input defined for the TP Clearing Member.
<b>TP Rules:</b>	The Rules of Operation of the Trading Platform operated by FGSZ, approved by the MEKH.
<b>TP transaction:</b>	Transaction in products traded at TP (MGP, HEG) and imbalance transactions established by KELER CCP. The Rules of Operation of the Trading Platform operated by FGSZ define the products traded at the TP.
<b>Securities lending:</b>	The transaction defined in Section 5 (1) 44. of the Tpt.
<b>Securities default:</b>	Failure to meet the fulfilment obligation of securities generated by regulated market transactions.
<b>Securities secret:</b>	Confidential information as provided for in Section 369 (1) of the Tpt.
<b>Net seller of securities:</b>	The Clearing Member who sold more than bought of a certain security on T day in securities transactions with net settlement.
<b>Net buyer of securities:</b>	The Clearing Member who bought more than sold of a certain security on T day in securities transactions with net settlement.
<b>Covered position:</b>	The position related to which the Clearing Member makes the required quantity of securities available to the Clearing House prior to the obligation of fulfilment.
<b>FGSZ:</b>	FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság (FGSZ Natural Gas Transmission Company Limited by Shares) operates the Trading Platform pursuant to Section 91/A of the Get. as transmission system operator licensee, in line with the KP Rules approved by MEKH.

<b>Insolvency proceedings:</b>	The bankruptcy proceedings and liquidation proceedings as provided for in the Cstv. and the appointment of a temporary receiver, as well as the supervisory measures laid down in Section 153 (2) c) 6., Section 176/B (5), Section 181 (2) of the Hpt., the supervisory measures stated in Section 128 (1), Sections 164 (1) h) and n) of the Bszt, the prohibition of payment laid down in Section 135 (1) of the Bszt., additionally the supervisory measures stated in Sections 400 (1) h) and j) and (4) of the Tpt. if the authority entitled to take measures designates them as insolvency proceedings defined in Section 5 (1) of the Tpt.. Measures by the court without express reference are considered insolvency proceedings. Based on the advice by the authority entitled to take measures the insolvency proceedings can be temporary or final as stated expressly in the advice of the authority entitled to take measures.
<b>Consumer:</b>	The natural person defined in Point III of Appendix 2. of the Hpt.
<b>Turnover margin:</b>	The collateral required by KELER CCP from Clearing Members for the settlement of gas market transactions to cover positions in the period until financial settlement.
<b>Guaranteed regulated market transaction:</b>	Transactions with multinet settlement and derivative transactions.
<b>Gas month:</b>	Identical to the calendar month with the only difference that it starts at 6:00 hrs. on the first calendar day of the month and lasts until 6:00 hrs. on the day after the last calendar day of the month.
<b>Gas day:</b>	The day as defined in Section 3. 38. of Act XL of 2008 on Natural Gas Supply.
<b>Gas market:</b>	The TP and the CEEGEX.
<b>Gas market Clearing Member:</b>	The TP and the CEEGEX Clearing Member.
<b>Gas market transaction:</b>	The TP and the CEEGEX transaction.
<b>Instrument:</b>	In the case of the BSE futures transaction it is one expiry of a product included in the List of Contracts. In the case of an option transaction, it is one option series. In the case of the gas market transaction an individual product traded in the daily market where all features of the product allowing the matching of buy and sell offers are defined.
<b>Repeated default:</b>	Second default occurring within a period of 90 days and each subsequent default.
<b>Trading right:</b>	The authorization in possession of which a person is entitled to participate in trading at the BSE, the BSE MTF

market, the MTS market, the gas market and the energy market.

**Compulsory buying-in:**

The compulsory provision in case of default by the Clearing Member by which KELER CCP attempts to acquire the missing securities.

**Late performance:**

Default that is performed within the operating hours of the clearing systems involved on the day the default is established. Any other performance is considered performance beyond the due day.

**Compulsory sale:**

The compulsory provision in case of default on regulated market transactions, gas market transactions and energy market transactions by which KELER CCP attempts to sell available securities.

**Compulsory provision:**

Legal consequence applied in case of failure to meet an obligation towards KELER CCP or an obligation arising from regulated market, gas market and energy market settlement.

**Compulsory liquidation:**

A procedure by which KELER CCP reduces the derivative obligations of the Clearing Member.

**KGA (Default Fund):**

A separated collective guarantee in joint ownership, established by Clearing Members and KELER CCP to reduce losses from the settlement of derivative transactions, fails or default of payment obligations.

**Issuer:**

The legal entity who undertakes to meet the obligation included in the securities in its own name.

**Other financial resources:**

The shareholders' equity of KELER CCP after deduction of the minimum capital required by legislation for undertaking central counterparty activity and the dedicated own resources.

**Additional financial collateral:**

Surplus collateral required by KELER CCP from the Clearing Member and the energy market Non-clearing Member for regulated market transactions, gas market transactions and energy market transactions; it serves to manage the individual risks of the Clearing Member and energy market Non-clearing Member.

**Distribution (assignment):**

Selection by KELER CCP of the person fulfilling the obligation arising from exercising the option right.

**KID system:**

A system established by KELER that ensures electronic communication between KELER, KELER CCP and their Clients.

**Selected member:**

The net buying Clearing Member selected by KELER CCP, based on predefined principles, in case of securities default.

<b>Clearing:</b>	An activity defined in Section 5 (1) 70. of the Tpt.
<b>Clearing Member:</b>	The person that concluded a clearing membership agreement with KELER CCP and a service agreement with KELER for the clearing and settlement of guaranteed regulated market or gas market transactions.
<b>Clearing Membership System:</b>	A condition and institution system operated by KELER CCP in the interest of guarantee undertaking.
<b>Compensation minutes:</b>	The document prepared by KELER CCP on the net financial settlement of the gas market transaction, documenting matching by KELER CCP on the one hand of the preliminary monthly and monthly corrected purchase price invoices of the gas market Clearing Member with sell position and on the other hand the purchase price invoices per gas market Clearing Members in sell position.
<b>Contract:</b>	The smallest standardized tradable unit of a derivative transaction predefined by products.
<b>Central counterparty (CCP):</b>	The legal person that substitutes the clients involved in transactions made at one or more financial markets, thus it acts as buyer towards all sellers and as seller towards all buyers. At the same time the organization pursuant to the Tvt. that by entering the legal relationship with respect to the transfer orders of the institutions of the System acts as exclusive contractual party towards all of them.
<b>Warehouse warrant:</b>	Securities defined in Section 24. of the Krt.
<b>Foreign gas market Clearing Member:</b>	The gas market Clearing Member other than the domestic gas market Clearing Member.
<b>Announcement:</b>	The document that contains detailed supplementary rules, obligations and procedures based on authorization by the General Business Rules of KELER CCP for the services provided by KELER CCP.
<b>LEI code:</b>	The alphanumeric code for the identification of the Client to meet the reporting obligation pursuant to Article 9 of EMIR.
<b>Liquidation:</b>	Termination of a derivative open position before expiry by a contrary transaction made for the same product, term, option series and quantity
<b>Liquidity FX Deposit (LiDÓ):</b>	A collateral applied for the clearing of products with foreign exchange settlement.
<b>Principal:</b>	All persons using the services of KELER CCP through a Clearing Member (Non-clearing Member).

<b>MEKH:</b>	Hungarian Energy and Public Utility Regulatory Authority, ordered to be established by Act XLI of 1994 on gas supply that was repealed in the meantime.
<b>Underlying product:</b>	Any derivative product, price, rate, index, value, commodity, interest or spot product being the subject of the relevant derivative product.
<b>MTS market:</b>	The name of the multilateral trading facility (MTF) operated by EuroMTS pursuant to Bszt.
<b>MTS transaction:</b>	The transaction made at the MTS market.
<b>Transaction with multinet settlement:</b>	A transaction made in the spot, BSE MTF and MTS market, guaranteed by KELER CCP that will be settled with T+2 multilateral netting.
<b>Multilateral netting:</b>	The procedure by which KELER CCP calculates the difference of the daily sell or buy position by Clearing Members and securities according to the daily stock exchange transactions concluded.
<b>Non-financial client:</b>	The undertaking other than the central counterparty and the financial Client.
<b>Open futures position:</b>	Buy and/or sell obligation arising from making a futures transaction or exercising an option on a futures product.
<b>Open interest:</b>	Data specified and published by KELER CCP following overall derivative clearing of the day that is with one-sided calculation the sum of open deals of derivative transactions by products and expiries as well as option series.
<b>Open option position:</b>	Buy and/or sell obligation, right arising from an option transaction.
<b>Open position:</b>	Collective definition for buy and/or sell obligations arising from regulated market transactions.
<b>Nature of an option:</b>	Classification of options whether they are American, European, etc.
<b>Exercise of an option:</b>	First step of enforcement of an option right where the buyer of the option (the beneficiary) notifies KELER CCP that it wants to exercise the option right.
<b>Option exercise price:</b>	A price fixed at the time of concluding the option contract at which the obliged party of the option is obliged to sell the subject of the option to the beneficiary or to buy it from the beneficiary.
<b>Product underlying the option:</b>	A derivative product or spot product to which the option right or obligation applies.



<b>Type of option:</b>	Classification of options whether they represent a right to purchase (call, buy option) or a right to sell (put, sell option).
<b>Option premium:</b>	A price agreed upon the counter value of the option right when making the option transaction that the beneficiary (buyer) of the option agrees with the obliged party (seller) of the option
<b>Option series:</b>	All the options of the same type and with the same drawing price relating to the same underlying product.
<b>Option transaction:</b>	A standardized contract where the subject is a right to buy or sell, to be exercised at a certain future date, under which buyer (beneficiary) of the option acquires this right against payment of the option premium, while the seller (obligor) of the option assumes an obligation to buy or sell to the buyer (beneficiary) against payment of the premium.
<b>Self-trade:</b>	A regulated market transaction where the same Clearing Member or its Principal is on both the sell side and the buy side.
<b>Financial default:</b>	Failure to meet the financial obligation related to regulated market, gas market and energy market transactions concluded.
<b>Market:</b>	Trading in specific products with a specific clearing method and with specific guarantees.
<b>Financial client:</b>	The investment undertakings authorized pursuant to Directive 2004/39/EC, the credit institutions authorized pursuant to Directive 2006/48/EC, the insurance undertakings authorized pursuant to Directive 73/239/EEC, the life assurance undertakings authorized pursuant to Directive 2002/83/EC, the reinsurance undertakings authorized pursuant to Directive 2005/68/EC, the undertakings for collective investment transferable securities authorized pursuant to Directive 2009/65/EC and, if applicable, their fund management companies, the institutions for occupational retirement provision specified in Article 6 (a) of Directive 2003/41/EC and the alternative investment funds managed by alternative investment fund managers authorized or registered pursuant to Directive 2011/61/EC and the legal persons with registered seat in third countries that are considered credit institution, investment undertaking, insurance undertaking, collective investment undertaking, pension insurance undertaking, investment fund, investment fund manager under the law of their home countries.
<b>Position limit:</b>	Quantity of the open derivative positions that a Clearing Member or a Principal can have.

<b>Position segregation:</b>	Normally the segregated management of the Clearing Member's own and its Principals' regulated market transactions and positions.
<b>Position management account:</b>	An account kept by KELER CCP for the Clearing Member for the clearing of guaranteed transactions.
<b>Positive variation margin haircutting:</b>	The procedure applied during the final loss allocation determined in these Rules in the case of derivatives and CEEGEX futures. When this procedure is applied, KELER CCP meets its payment obligations (i.e. positive variation margin settlement) at a reduced rate.
<b>Option settlement with premium method:</b>	Settlement method whereby the buyer pays in advance the option premium in one amount to the seller at the time of dealing.
<b>Extraordinary situation:</b>	All situations requiring special treatment where the operation of services provided by KELER CCP deviates from business as usual herein described (not including default and all extraordinary arrangements that are not regulated in the Procedure on Extraordinary Situations).
<b>System:</b>	The form of cooperation defined in Section 2 (1) i) of the Tvt.
<b>System link:</b>	The form of cooperation defined in Section 2 (1) p) of the Tvt.
<b>System operator:</b>	The person defined in Section 2 (1) q) of the Tvt.
<b>Participant.</b>	The person defined in Section 2 (1) j) of the Tvt.
<b>Settlement Day (SD):</b>	Day of settlement of transactions with multinet settlement.
<b>Structured product:</b>	The security issued under the Issuer's own law, based on which the Issuer shall be liable to settle a claim or payment in favor of the security holder depending on the value of the Underlying determined in the Final Terms of the Structured Product at the maturity date therein fixed. (In line with these Rules certificates and warrants are structured products.)
<b>Final Terms of Structured Product:</b>	The document where the Issuer of the structured product defines the basic features of the structured product, such as e.g. the method of fulfilment and the cases of meeting the settlement obligation.
<b>Regulated market:</b>	The markets stipulated in Section 5 (1) 114 of Tpt.
<b>Regulated market transaction:</b>	The BSE transaction, the BSE MTF transaction and the MTS transaction.
<b>Regulatory document:</b>	A document containing regulations defined by KELER CCP that represent rights, obligations or information for

the Clearing Member, energy market Non-clearing Member and is available to the Clearing Member, the energy market Non-clearing Member on the web site of KELER CCP or is sent directly to the them (e.g. public procedures, Announcements, lists of conditions, form contracts).

**Delivery notice:**

Official notice sent by KELER CCP to Clearing Members on derivative transaction related receipt or delivery obligations.

**Segregated Non-clearing Member/  
segregated principal:**

The Non-clearing Member or principal related to whom KELER CCP maintains segregated collateral requirement records and position management account at the request of the Clearing Member.

**Section:**

Part of BSE trading separately regulated by subject or product of the trade, the persons entitled to trade and the method of clearing.

**Service agreement:**

The form contract concluded by KELER and Clearing Members entitled to settle gas market and energy market transactions, energy market Non-clearing Member for the provision of bank and securities account management services.

**Back-up Clearing Member:**

The Clearing Member that is entitled to take over the positions and collaterals of the performing segregated Non-clearing Member or segregated principal from their non-performing Clearing Member and that concluded an agreement to this effect with the segregated Non-clearing Member or the segregated principal and is reported by them to KELER CCP.

**TEA (Default fund):**

A segregated collective guarantee fund in joint ownership of the Clearing Members and KELER CCP created with respect to transactions with multinet settlement.

**T day:**

The stock exchange trading day when a deal is made or the derivative settlement price is changed, or the event occurs related to which rights and obligations are generated.

**Corporate action:**

All events when owners of securities can exercise ownership rights towards the issuer.

**Transfer order:**

The term defined in Section 2 (1) k) of the Tvt.

**Stock exchange:**

The organization stated in Section 5 (1) 122 of the Tpt.

**UTI identifier:**

The alphanumeric code, for the identification of trades/deals, generated by KELER CCP in the course of compliance with the reporting obligation pursuant to Article 9. of EMIR

<b>Client:</b>	The legal entity in contractual relationship with KELER CCP in relation to the use of the services herein defined.
<b>Range of products:</b>	All products segregated within a section of BSE.
<b>Business day:</b>	The period defined in Section 2 (1) o) of the Tvt.
<b>Purchase price collateral:</b>	In the case of physical settlement of derivative transactions, the amount calculated by KELER CCCP and requested from the buying Clearing Member from which KELER CCP will transfer the purchase price to the selling Clearing Member upon effective fulfilment (invoice) and transfers the surplus collateral back to the buying Clearing Member.
<b>Buy (call) option:</b>	A sales contract with suspended effect (derivative transaction) where the beneficiary of the option acquires right for future purchase of the subject of the option at the so-called exercise price against payment of the option premium.
<b>VIBER:</b>	A gross value based real-time settlement system for the execution of high value domestic HUF payment orders performed by the Magyar Nemzeti Bank.
<b>Closing price:</b>	A value defined by the BSE, EuroMTS or CEEGEX as such.
<b>Blocking:</b>	An account operation in line with the General Business Rules of KELER by which KELER suspends the authority of the Client to dispose independently over an account.

**Abbreviations:**

<b>ÁKK:</b>	Államadósság Kezelő Központ, Government Debt Management Agency
<b>APX:</b>	APX Power NL, APX Power UK, Belpex
<b>BSE:</b>	Budapesti Értéktőzsde Zártkörűen Működő Részvénytársaság, Budapest Stock Exchange Company Limited by Shares
<b>CEEGEX:</b>	Central European Gas Hub
<b>EEX:</b>	European Energy Exchange
<b>ECC:</b>	European Commodity Clearing AG
<b>EGT:</b>	European Economic Area
<b>TP:</b>	Trading Platform
<b>EPEX SPOT:</b>	European Power Exchange
<b>EuroMTS:</b>	EuroMTS Limited
<b>FGSZ:</b>	FGSZ Földgázszállító Zártkörűen Működő Részvénytársaság, FGSZ Natural Gas Transmission Company Limited by Shares
<b>HUPX:</b>	HUPX Hungarian Power Exchange
<b>KELER:</b>	KELER Központi Értéktár Zrt., KELER Central Depository Company Limited by Shares.
<b>KELER CCP:</b>	KELER KSZF Központi Szerződő Fél Zártkörűen Működő Részvénytársaság., KELER CCP Company Limited by Shares
<b>MEKH:</b>	Hungarian Energy and Public Utility Regulatory Authority
<b>MGP:</b>	Magyar Gázkiegyenlítő Pont, Hungarian Virtual Point
<b>MNB:</b>	Magyar Nemzeti Bank, Central Bank of Hungary
<b>Powernext/PEGAS:</b>	Powernext/Pan-European Gas Cooperation
<b>PXE:</b>	Power Exchange Central Europe
<b>SEEPEX:</b>	South East European Power Exchange

## Regulatory environment

In the course of operation KELER CCP complies, among others, with the requirements of the below listed regulations and the requirements of regulations taking effect after the last modification of the present Rules are enacted and with the agreements concluded.

<b>ÁFA tv.:</b>	Act CXXXVII of 2007 Value Added Tax
<b>Bszt.:</b>	Act CXXXVIII of 2007 on Investment Enterprises and Commodities Exchange Service Providers and the Rules relating to Activities that can be Undertaken by them.
<b>Eat.:</b>	Act XXXV. of 2001 on Electronic Signatures
<b>EMIR:</b>	Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories
<b>Fgytv.:</b>	Act CLV of 1997 on Consumer Protection
<b>Fttv.:</b>	Act XLVII of 2008 on Prohibition of Commercial Practices that are Unfair to Consumers
<b>Get.:</b>	Act XL of 2008 on Natural Gas Supply
<b>Get. Vhr:</b>	Government Order 19/2009 (I. 30.) on the Implementation of the provisions of Act XL of 2008 on Natural Gas Supply
<b>Hpt.:</b>	Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises
<b>Info. tv.:</b>	Act CXII of 2011 on Informational Self-Determination and Freedom of Information
<b>Krt.:</b>	Act XLVIII of 1996 on Warehousing
<b>MNB tv.:</b>	Act CXXXIX of 2013 on the Magyar Nemzeti Bank
<b>Tpt:</b>	Act CXX of 2001 on the Capital Market
<b>Tptv:</b>	Act LVII of 1996 on the Prohibition of Unfair and Restrictive Market Practices
<b>Tvt.:</b>	Act XXIII of 2003 on Settlement Finality in Payment and Securities Settlement Systems
<b>MNB Order 11/2009 (II.27.):</b>	on the requirements of the procedures of the organization undertaking central counterparty operation as defined in the Act on Capital Market
<b>KELER – KELER CCP cooperation agreement:</b>	an agreement concluded between KELER and KELER CCP regulating the cooperation of the two organizations.

**Bilateral cooperation agreements:**

Agreements concluded by KELER CCP and BSE and KELER CCP and EuroMTS on the clearing and guaranteeing of regulated market transactions

**FGSZ-KELER-KELER CCP cooperation agreement:**

an agreement concluded by KELER, KELER CCP and FGSZ governing the cooperation of the three organizations.

**KELER CCP – CEEGEX cooperation agreement:**

the agreement concluded by KELER CCP, and CEEGEX governing the cooperation of the two organizations

**ECC – KELER CCP clearing membership agreement:**

A clearing membership agreement concluded in line with the ECC Clearing Regulation pursuant to which KELER CCP as general clearing member of ECC is entitled to provide energy market non-clearing membership services in the energy market.

## I. Introductory provisions

KELER CCP Központi Szerződő Fél Zrt. (hereinafter: KELER CCP) is a business association operating pursuant to the requirements of EMIR and the Tpt. and guaranteeing the settlement of guaranteed regulated market, gas market and energy market transactions. The goal of the operation licensed is to ensure the settlement of guaranteed transactions and to reduce risks related to settlement thus promoting the efficient and reliable operation of Hungarian capital, gas and energy markets. In the course of operation KELER CCP fully complies with the principles of integrity and equal treatment and the basic principles defined in the European Code of Conduct for Clearing and Settlement of the association of the infrastructural institutions of the European capital markets. The recommendations of CPMI-IOSCO were taken into account when KELER CCP created these Rules.

According to Resolution No. E-III/1012/2008 of PSZÁF, KELER CCP is the organization appointed to perform the central counterparty activities in Hungary.

Pursuant to Order H-EN-III-51/2014 of the MNB KELER CCP is an organization authorized to undertake clearing activity.

In accordance with the agreement concluded with BSE and KELER CCP and EuroMTS and KELER CCP, KELER CCP as central counterparty undertakes guarantee for the settlement of guaranteed regulated market transactions defined in the present Rules.

KELER CCP as central counterparty undertakes guarantee for the financial performance of gas market transactions herein defined.

KELER CCP as general clearing member undertakes guarantee for the financial performance of energy market transactions herein defined towards ECC and towards the energy market Non-clearing Members but in the case of default by ECC the guarantee undertaken by KELER CCP is terminated.

With respect to the Clearing Membership system and the Energy Market Non-clearing Membership system operated by KELER CCP, the General Clearing Member, the Individual Clearing Member, the Gas Market Clearing Member according to Section III. of this present document and the Energy market Non-Clearing Member defined in Section IX., are considered as direct participants. All other participants of the Clearing Membership system and the Energy Market Non-clearing membership system are considered as indirect participants. The guarantee undertaking service of KELER CCP covers the previously defined direct participants only.

In the case of regulated market deal KELER CCP joins the deal by receiving the deal, from the time of confirmation of the deal and as central counterparty KELER CCP undertakes the obligation to perform the transaction towards both counterparties, it acts as buyer towards all sellers and acts as seller towards all buyers. In the case of deals with multinet settlement KELER CCP undertakes the obligation to perform regarding the positions resulting from the multilateral netting. In gas market transactions KELER CCP enters the transaction by receiving it or creating it, from the time of confirmation or creation and as contractual party undertakes the financial obligation to perform the transaction to both counterparties involved, it acts as buyer towards all sellers and acts as seller towards all buyers.

The transaction sent by CEEGEX after the close of the market as cancelled transaction is not considered received transaction. Spot market CEEGEX transactions become validated and received transactions after the CEEGEX position limit is checked. The transaction exceeding the CEEGEX position limit is not considered as received transaction, consequently the transaction considered as not received will be cancelled with respect to both counterparties. KELER CCP does not send nomination advice to FGSZ on transactions considered as not received.

The regulated market and the gas market transactions confirmed by KELER CCP are considered as



accepted transactions, irrespective of the method of data acceptance (real-time, batch). Transactions accepted by KELER CCP are unmodifiable, undeletable and irrevocable by the Clearing Member. Accepted transactions can be modified by the Market Operator until the beginning of the clearing procedure only, and are considered as irrevocable and final afterwards.

For energy market transactions concluded by the energy market Non-clearing Member, KELER CCP undertakes the obligation of financial settlement from the time ECC receives the transaction.

In the interest of ensuring the performance of transactions cleared and guaranteed by KELER CCP and energy market transactions KELER CCP operates a clearing membership, energy market non-clearing membership and guarantee system in line with the provisions of the current Rules.

KELER CCP as a general clearing member defined in the Clearing Regulation of ECC, pursuant to the clearing membership agreement concluded with ECC provides energy market non-clearing membership services to energy market Non-clearing Members concluding an energy market non-clearing membership agreement with KELER CCP.

Based on the agreement concluded with the BSE KELER CCP clears BSE and BSE MTF market guaranteed transactions.

Based on the agreement concluded with EuroMTS KELER CCP clears MTS market guaranteed transactions.

Based on individual agreement KELER CCP provides services for the [balancingtrading](#) platform determined in the Get. In this framework it clears transactions concluded at the [EPTP](#) market pursuant to the Get. ~~After the EP Rules are approved by the MEKH, the Natural Gas and Capacity Trading Market (NFKP) operated by FGSZ ceases to exist.~~

In line with the agreement concluded with CEEGEX KELER CCP clears the guaranteed transactions of the CEEGEX market.

Based on the agreement concluded with ECC KELER CCP provides energy market non-clearing member services to the energy market Non-clearing Members that concluded the energy market non-clearing membership agreement.

KELER CCP charges fees for services provided in line with the prevailing Fee Schedule.

KELER CCP concluded an outsourcing agreement with KELER for the execution of certain activities related to guarantee providing and the provision of energy market non-clearing membership services. In compliance with the outsourcing agreement KELER is in charge of handling activities as follows:

- Planning
- Controlling
- Process management, development of operation, coordination of IT developments
- Reporting, keeping contact (for third parties)
- Management of collaterals
- Treasury activities
- Client Service
- PR & Marketing
- Financial and accounting activities
- Human resources management
- Facility, office management, procurement, document management
- IT activities
- Operation and maintenance of the security system
- Internal audit activity.

KELER undertakes activities in line with the outsourcing agreement, the present Rules and the General Business Rules of KELER.

KELER CCP handles business, securities and bank secrets as well as any personal data becoming known to it according to the provisions of Tpt., Bszt. and Avtv.

For proof of identity KELER CCP shall accept a valid identity card or passport, for proof of power of representation a certificate of incorporation in case of business associations and any authentic instrument provided for in the regulations applying to the relevant organization in case of any other organization.

The Section including the List of expressions, Section I (Introductory provisions), Section II (General provisions, Point 2.1.) and Section XI of this document applies to both the markets guaranteed by KELER CCP and the energy market. Point 2.2. and Sections III-VIII. of these Rules apply to markets guaranteed by KELER CCP, while Section XI is applicable to the energy market, Section X governs non-guaranteed markets that are cleared by KELER CCP.

## **II. General Provisions**

The requirements of the prevailing regulations of Hungary apply for the operation of KELER CCP. The governing law of the relationship between KELER CCP and its Clients is the Hungarian law.

The present Rules contain detailed regulation for services provided by KELER CCP, the rights and obligations of persons (hereinafter: Clearing Member) using the central counterparty and clearing services provided by KELER CCP and the rights and obligations of persons (hereinafter: Non-clearing Member) using energy market non-clearing member services when providing/using the services. Furthermore, these Rules govern cooperation between KELER CCP and Clearing Members, and KELER CCP and energy market Non-clearing Members, the provision of information as well as data management.

Debits related to settlement include any additional costs (e.g. fee, tax, commission other costs, receivables charged by the foreign intermediary at its discretion ) that arose in the course of settlement, paid by KELER CCP to any third party involved in settlement, payable by the Client that KELER CCP is entitled to pass to the Client pursuant to this authorization.

KELER CCP is entitled to post debit and credit items related to settlement to the bank account and sub-accounts of the Client, without separate instruction by the Client, pursuant to the authorization provided by the Client in these Rules.

Furthermore the Client hereby authorizes KELER CCP to know the balances of accounts kept by KELER on behalf of the Client to the extent necessary to settle guaranteed transactions.

The Client hereby authorizes KELER to collect liabilities towards KELER CCP in line with the agreement KELER concluded with KELER CCP.

KELER CCP informs KELER on suspension or termination of the clearing right and non-compliance with obligations by the Clearing Member, energy market Non-clearing member.

The procedural matters related to the provisions of these Rules as well as any further detailed provisions by authorization of these Rules are specified in the Lists of Conditions, Announcements, Fee Schedule and other information materials of KELER CCP.

The rules to be applied for extraordinary situations shall be defined in a separate procedure that KELER CCP makes available for its Clients.

The General Business Rules of KELER CCP and its amendments will be accepted by the Board of Directors. Approval by the MNB is necessary for the General Business Rules to take force.

KELER CCP makes available to the public the General Business Rules and all other regulatory documents relevant for Clients, in case of changes to documents the prevailing versions of documents at its registered office in premises open to Clients, on KID, on the electronic system operated by the MNB or recognized as such ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)) and ensures that such documents are continuously available on its website.

The General Business Rules and other regulatory documents of KELER CCP are in Hungarian, however KELER CCP publishes and makes continuously available on its web site the English translation of the General Business Rules, the Fee Schedule, the Procedure on the management of extraordinary situations, the Procedure on complaint management and Announcements and Lists of conditions of KELER CCP. Upon request KELER CCP provides information on the availability of the English version of other public regulatory documents. In case of difference between the Hungarian

and the English versions the Hungarian version shall prevail.

In case of changes to the General Business Rules and other public regulatory documents governing issues defined in MNB Order 11/2009 (II.27.) or changes to parts of such documents influenced by the referred Order KELER CCP ensures that Clients become familiar with changes and can make comments in the manner and until the deadline stated on the website.

Accordingly KELER CCP makes public planned modifications on its web site at least 6 business days prior to the KELER CCP Board meeting providing prior approval for the changes.

If the planned change is of a comprehensive nature or of large volume, changes are made public at least 11 business days prior to the decision. The text of the modification can be reviewed with changes highlighted (track changes) in the prevailing version of the regulatory document.

KELER CCP is not obliged to make public the planned modification of regulatory documents in the following cases:

- in case of modification to regulations on fees, commissions and costs;
- in case of changes to the type and extent of risk management tools defined in procedures;
- if providing for the opportunity of giving prior opinion prevents safe and efficient operation.

Clients can send eventual comments on modifications in writing to the registered seat of KELER CCP or to the e-mail address [kelerkszf@kelerkszf.hu](mailto:kelerkszf@kelerkszf.hu).

In case of any amendment of these Rules the Client is entitled to terminate its form contract with KELER CCP within 30 days from the effective date of the amended Rules provided the Clearing Member complies with any other condition laid down in the present Rules. Should the Client not exercise its right of termination within the said deadline, KELER CCP will consider that the Client accepted the amendment of the Rules and recognized it as binding for itself. The effective form contract established earlier will remain in force with the content being in accordance with the amendment.

For the purpose of implementation of the content of these Rules the Client shall oblige itself to create such internal regulations and cooperation with KELER CCP that are in line with the provisions of the said Rules and enable compliance therewith.

In accordance with the provisions of these Rules KELER CCP has the right to enforce its collateral right against accounts of the Client kept by KELER and to make emergency provisions that will be realized by KELER. The collateral right stipulated in KELER's Settlement System will not be cancelled if liquidation of the Client is announced.

The Clearing Member authorizes KELER CCP to submit the collection orders necessary for the operation of the guarantee system to the credit institution keeping the account of the Clearing Member.

The energy market Non-clearing Member authorizes KELER CCP to submit the collection orders necessary for the operation of the energy market non-clearing membership service to KELER as the credit institution keeping the account of the energy market Non-clearing Member.

When defining days of operation and operation periods within days of operation KELER CCP allows for the start and the end of operation periods and legal holidays to be in harmony primarily with the working hours of KELER and the MNB and the operation of BSE, EuroMTS, CEEGEX and Clients.

Accordingly, following the announcement of the regulation on the order of working days around legal holidays in the year concerned KELER CCP initiates a consultation with KELER, the MNB, the BSE, EuroMTS and CEEGEX to establish the legal holidays of the year concerned.

Also with regard to the above clearing days may be different for individual ranges of transactions.

KELER CCP makes an advance public notice on its operation schedule of the year that is continuously available on the website of KELER CCP.

KELER CCP sends notices to the Clearing Member and energy market Non-clearing Member in accordance with the requirements of the present Rules and the agreement on clearing membership and the energy market non-clearing membership agreement electronically (KID, e-mail), via fax, mail or by phone.

Statements available at KID can be queried after the daily closing but at the latest after 07:00 hrs. on the following clearing day.

General notices by KELER CCP are given on its website, in the KID system and electronically on the website defined for meeting disclosure requirements.

KELER CCP shall take no liability for damages resulting from errors in postal delivery.

KELER CCP is not obliged to post documents and notices to the Client as registered mail or with acknowledgement of postal receipt. The list of posted items or the certificate of posting proves that documents were sent. Once the normal postal delivery time is over KELER CCP shall be entitled to consider the notice, document received by the addressee. KELER CCP takes five calendar days as the normal postal delivery time within Hungary.

At the case-by-case written request of the Client KELER CCP faxes the notice to the Client in addition to postal delivery. The faxed notice is considered transmitted if KELER CCP proves the fax was sent.

Unless other regulations require printing KELER CCP prepares primarily electronically the reports, statements and advices for gas market Clients that can be accessed by FGSZ and gas market Clients on FGSZ RI IT Platform and in KID.

KELER CCP is responsible only for the content of gas market reports and for sending them to FGSZ, FGSZ is liable for using, making available the data provided.

If the electronic communication of regular provision of data by KELER CCP requires encryption or digital authentication KELER CCP informs the Client requiring the data thereof, and the Client is responsible to ensure the existence of necessary technical conditions on its side. KELER CCP shall not assume liability for damage resulting from messages that were sent without encryption or digital authentication due to the technical conditions not provided for by the Client.

The Client shall notify KELER CCP in writing without delay but at the latest on the business day following planned receipt if any notification expected by the Client from KELER CCP is not received in due time. Should the Client fail to meet this obligation of notification KELER CCP assumes no liability for any resulting damage.

Any written message for KELER CCP – except for electronic communication - should be sent to the mail box of KELER CCP or to the seat of KELER CCP or can be submitted personally at the Client Service of KELER CCP.

At the request of the Client KELER CCP provides certificate confirming receipt of the parcel, KELER CCP will sign the certificate to prove authenticity.

The Client is obliged to advise KELER CCP without delay if:

- a) the Client becomes aware of any important facts, circumstances relating to the contract

- concluded with KELER CCP or KELER as well as of any change therein,
- b) the Client wishes to involve a settlement agent to provide for the settlement of its transactions,
  - c) the Client submits an application for bankruptcy or liquidation proceedings to the court, or liquidation proceedings have been instituted against the Client,
  - d) any change occurred in the person of an executive officer or the registered office, branch office, company name or legal status has changed, by submitting the relevant official documents (non-appealable decree on registration by the court of registration or a certificate of incorporation also containing the changes that is not older than 30 days, original or certified copy of the specimen signature),
  - e) there is any change to the persons authorized to sign on behalf of the Client,
  - f) the trading membership of the Client with regulated market, organized market trading membership is suspended or terminated,
  - g) the license of the Client licensed by the MNB is withdrawn by the MNB, the license of the Client licensed by the MEKH is withdrawn by the MEKH,
  - h) there was a change in the data of the Non-clearing Member,
  - i) there was a change in the data of the Settlement Agent,
  - j) there was a change in the data of the segregated Non-clearing Member or the segregated principal,
  - k) there was a change in the data of the back-up clearing member.

If KELER CCP finds that the Client did not meet its obligation of notification, KELER CCP contacts the Client in writing and by setting a reasonable deadline subject to announcement to be submitted to the MNB or the competent court or initiation of judicial review proceedings at the competent court of registration calls the Client to make the necessary steps.

Should the omitted notification not be sent or other measure not be taken by the deadline set, for the purpose of restoring the lawful operation KELER CCP notifies the MNB, KELER, BSE, EuroMTS, the competent court and the court of registration on the fact that the company fails to observe legal provisions and provisions of its deed of foundation in respect of its organization and operation.

The Client is liable for any damage arising from the failure to provide notification.

## **2.1. Persons entitled to use the services of KELER CCP**

Organizations are entitled to use services provided by KELER CCP if, those who:

- comply with the financial requirements of KELER CCP stated herein;
- undertake to meet reporting obligations;
- comply with the material and technical requirements of KELER CCP stated herein;
- accept the procedures of KELER and KELER CCP as obligatory for themselves;
- have concluded a clearing membership agreement with KELER CCP or
- have concluded energy market non-clearing membership service agreement with KELER CCP.

## **2.2. Services of KELER CCP**

### **2.2.1. Guarantee providing**

KELER CCP as central counterparty provides guarantee service to Clearing Members in line with the provisions of the present Rules.

Regarding guaranteed regulated market transactions and guaranteed gas market transactions the

conditions of guarantee providing are as follows:

- a) on derivative markets confirmation of the transaction,
- b) on guaranteed markets with multinet settlement confirmation of the net multinet position,
- c) confirmation or creation of gas market transaction.

KELER CCP undertakes to guarantee the settlement of guaranteed regulated market derivative transactions from the time of confirmation of the transaction, which is by accepting the deal, while in the case of transactions with multinet settlement the guarantee undertaken by KELER CCP relates to the net positions created after multilateral netting. For gas market transactions KELER CCP undertakes guarantee for the performance of the transaction by receiving or establishing the transaction, from the time of transaction confirmation or creation.

In case of regulated market derivative transactions and gas market transactions guaranteed by KELER CCP Clearing Members are in legal relationship not with each other but with KELER CCP. By confirming the guaranteed regulated market derivative transaction, confirming or concluding the gas market transaction KELER CCP becomes an obliged or an entitled counterparty in respect of clearing and settlement to both Clearing Members involved in the transaction.

KELER CCP is entitled to require collateral from its Clearing Members using its central counterparty services.

The collateral serves as guarantee for settlement of the transaction in compliance with the contract and it can be used by KELER CCP in case of default by the Clearing Member without limitation. The Clearing Member must guarantee the possibility of using the collateral at all times.

KELER CCP provides guarantee to the Clearing Member only that fully meets the conditions, requirements and provisions set forth in these Rules.

#### **2.2.1.1. Transactions guaranteed by KELER CCP**

KELER CCP provides guarantee for the following transactions:

- a) transaction with multinet settlement,
- b) derivative transaction,
- c) gas market transaction.

The guarantee undertaken by KELER CCP always covers the financial fulfilment of guaranteed regulated market transactions and gas market transactions.

The guarantee undertaken by KELER CCP for the physical fulfilment of guaranteed regulated market transactions shall be understood as measures taken by KELER CCP, in the interest of physical fulfilment of transactions as defined herein that are related to the physical securities delivery, foreign currency settlement forming part of settlement or the physical settlement of commodities traded in the Commodities Section.

For gas market transactions KELER CCP guarantees financial performance only. FGSZ is responsible for physical performance. For TP transactions FGSZ, for CEEGEX transactions the obliged CEEGEX Clearing Member is responsible for physical fulfilment. Accordingly KELER CCP does not guarantee the physical performance of gas market transactions.

In case of default of transactions with multinet settlement and derivative transactions with physical securities delivery, KELER CCP shall attempt compulsory buying-in or compulsory foreign exchange conversion in case of default on FX futures with physical settlement, as defined herein, in case of

eventual failure thereof KELER CCP shall provide financial compensation to the beneficiary Clearing Members in line with the provisions herein stated.

Physical performance of commodities traded in the Commodities Section can be completed in the following three ways:

- or products where the regulation of the BSE make performance with warehouse warrants possible, with warehouse warrant,
- in case of commodities traded in the Commodities Section where performance can be made with warehouse warrants only, with warehouse warrant – if the BSE regulation contains such a product,
- in case of other products traded in the Commodities Section with physical delivery.

KELER CCP guarantees physical performance in the Commodities Section in the form of warehouse warrant only if the seller or the warehouse commissioned by the seller submits the warehouse warrant to KELER CCP until the deadline and in the manner defined.

KELER CCP does not guarantee the physical performance of commodities traded in the Commodities Section for which the rules of the BSE do not require performance with warehouse warrant.

Restrictions of guarantee providing:

- For structured products the guarantee provided by KELER CCP does not apply to meeting the obligations defined in the Final Terms of the structured product.
- The settlement of compensation notes is governed by the special rule stated in 8.4.3.3.
- The foreign currency account managed by KELER is the place of settlement of FX futures with physical settlement, accordingly, guarantee undertaking by KELER CCP is limited exclusively to the transactions executed on the foreign currency accounts managed by KELER.

#### **2.2.1.2. Transactions settled by KELER that are not guaranteed by KELER CCP**

Transaction types that are settled by KELER but are not guaranteed by KELER CCP are as follows:

- non-guaranteed transactions that can be concluded in the BSE Equities and Debt sections (debt transactions with fix, auction and DVP settlement),
- primarily BSE transaction,
- DVP transactions concluded outside the regulated market,
- settlement of repo transactions,
- settlement of CO2 emission unit transactions,
- transaction with Xetra settlement

KELER CCP clears, but does not guarantee spot commodities transactions and gas market transactions involved in correctional clearing for an already closed gas month.

#### **2.2.1.3. Shared guarantee providing**

As regards satisfaction KELER CCP applies the following principles:

- claims for guarantee arising at the same time shall be satisfied from the claim with the lowest amount towards the claim with the highest amount,
- claims for guarantee arising at different times shall be satisfied in chronological order, that



- is the claim for guarantee arising earlier shall have priority,
- KELER CCP shall provide proportional that is equal satisfaction in case of guarantee claims arising at the same time and for the same amount.

Guarantee request accepted until 14:30 hrs. on clearing day is simultaneously arising guarantee requirement. Guarantee request arriving after this time will be accepted on the next clearing day.

Should KELER CCP not be able to provide guarantee or be able to provide only partial guarantee KELER CCP shall immediately advise Clearing Members thereof and shall inform the MNB, the MEKH, the BSE, EuroMTS, FGSZ, CEEGEX and KELER in line with their respective exposures.

### **2.2.2. Energy market non-clearing membership service**

KELER CCP as a general clearing member of EEC provides energy market non-clearing membership service to energy market Non-clearing Members in line with the provisions of Section IX. of these Rules.

The condition of using the energy market non-clearing membership service is compliance with the terms herein defined and confirmation of the energy market transaction by ECC.

KELER CCP is entitled to request collateral from the energy market Non-clearing Member using its energy market non-clearing membership services.

The collateral provided is bail for the contractual performance of the energy market transaction and can be used by KELER CCP without limitation if the energy market Non-clearing Member fails to perform in line with the contract. The Non-clearing Member has to guarantee that the collateral provided can be used at any time.

KELER CCP as central counterparty does not provide guarantee to energy market Non-clearing Members.

## **2.3. Handling liabilities towards and receivables from KELER CCP**

### **2.3.1. Process of handling liabilities towards KELER CCP**

KELER CCP acts in line with the provisions stated in this point with respect to any liabilities on any grounds towards KELER CCP.

Measures by KELER CCP in case of Client liabilities towards KELER CCP:

- 2.3.1.1. In case of any liability outstanding after the due date under any title referred to in this Point KELER CCP will send a written call to the Client to settle the liabilities. In accordance with the provisions of these Rules KELER CCP is entitled to take any freely disposable asset owned by the Client as collateral for settlement of any liability of the Client specified in this Point. Simultaneously with the written call KELER CCP will block all freely disposable assets owned by the Client and deposited at KELER up to the necessary extent

The necessary extent means the amount presumably necessary to cover the existing actual debt and further costs incurred in the future, which cannot be more in total than 1.2 times as much as the outstanding debt. In case of taking securities as collateral their assessment will be made by KELER CCP according to the provisions relating to default of regulated market securities settlement.

In accordance with the rules on bail of the civil law assets will be transferred from the Client to KELER CCP, i.e. the subject of bail will be transferred (blocked). KELER CCP shall inform the Client in writing without delay on taking its assets as bail. The bail will also extend to the freely available assets owned by the Client and becoming available at a later date as long as the debt is outstanding. KELER CCP will maintain the blocking only up to the value of the prevailing amount of the outstanding debt.

2.3.1.2. After expiry of the deadline set in the call KELER CCP will debit the account of the Client with the amount of the debt and will charge the late interest stated in the Fee Schedule, the Client hereby authorizes KELER CCP to do so. In case of credit institution KELER CCP will get the MNB account of the credit institution debited pursuant to the authorization of the Client provided under these Rules

If the debt is not settled in the course of the above steps KELER CCP will sell the assets of the Client taken as bail in a compulsory sale, the resulting amount shall be used to settle the debt

Should the receivables of KELER CCP be not or not fully covered as a result of the above steps KELER CCP is entitled to terminate the account contract with simultaneous notification to the MNB and to institute the available legal proceedings.

2.3.1.3. In case of liabilities towards KELER CCP by a Client using settlement agent KELER CCP is entitled to debit the own accounts of the Client kept by KELER and the named sub-account opened by the settlement agent for the Client in the interest of fulfilment.

In the case of meeting the payment obligation after the due date, the Client is liable to pay late interest until the date of payment.

## **2.3.2. General rules for the settlement of Client receivables**

Based on authorization by the Client under these Rules KELER CCP is entitled to debit the bank account of the Client with the fees of KELER CCP and with the amount of its outstanding obligations towards the Client, in case of credit institution to debit in VIBER the cash account thereof kept with the MNB. The assets owned by the Client and deposited with KELER serve as bail for the Client receivables of KELER CCP.

## **2.4. Obligation of cooperation, notifications**

### **2.4.1. Obligation of cooperation**

KELER CCP and the Client shall cooperate in order to continuously and mutually perform contractual obligations, accordingly they provide each other with information herein specified, and furthermore they undertake to notify each other of any change in their data immediately after becoming aware of them.

### **2.4.2. Notification by KELER CCP**

#### **2.4.2.1. General rules of notification**

KELER CCP will forward notices to the Client electronically, in fax, by mail or phone in accordance with the provisions of the present Rules and the contract concluded with the Client.

KELER CCP shall publish general notices on its web site, in the KID system and also electronically on the web site designated for disclosure purposes.

KELER CCP is not liable for damage resulting from postal delivery errors.

KELER CCP is not obliged to send documents, notifications to the Client by registered mail or with acknowledgement of receipt. The signed off list of items sent or the postal receipt are proof of sending. Once the usual mailing time is over KELER CCP is entitled to consider that the addressee received the notification or the document. KELER CCP takes five calendar days as usual mailing time for domestic mails.

In addition to postal delivery, at the case by case written request of the Client KELER CCP also faxes notices to the Client. Faxed notices are considered transmitted if KELER CCP can prove the fax message was sent.

If the electronic communication of regular provision of data by KELER CCP requires encryption or digital authentication KELER CCP informs the Client requiring the data thereof, and the Client is responsible to ensure the existence of necessary technical conditions on its side. KELER CCP shall not take liability for damage resulting from messages that were sent without encryption or digital authentication due to the technical conditions not provided for by the Client.

The Client shall notify KELER CCP in writing without delay but at the latest on the business day following the planned receipt if any notification expected by the Client from KELER CCP is not received in due time. Should the Client fail to meet this obligation of notification KELER CCP assumes no liability for any resulting damage.

KELER CCP makes available to the public these Rules and all other regulatory documents relevant to Clients, in case of changes to documents the prevailing versions of documents at its registered office in premises open to clients, at its website, on KID, on the electronic system operated by the MNB or recognized as such ([www.kozzetetelek.hu](http://www.kozzetetelek.hu)).

These Rules and other regulatory documents of KELER CCP are in Hungarian, however KELER CCP continuously publishes on its website the English translation of these Rules, the Fee Schedule, the Lists of conditions, the Procedure on the management of extraordinary situations and the Procedure on complaint management. Upon individual request KELER CCP provides information on the availability of the English version of other public regulatory documents. In case of discrepancy between the Hungarian and the English versions the Hungarian version shall prevail.

Gas market Clients can access statements, information related to banking services provided via the KID system.

## **2.5. Client statements, transaction confirmations**

### **2.5.1. General rules of Client statements**

In line with the agreement concluded with the Client KELER CCP provides client statement to the Client electronically.

KELER CCP considers account statements on cash and securities, both with respect to individual items and the balance stated, accepted by the Client if the Client fails to make written comment on the content of the statement on the day following receipt.

### **2.5.2. Special rules of sending account statement**

KELER CCP sends the statement

- a) in KID,
- b) in a message sent in accordance with the SWIFT Rule Book of KELER or in e-mail,
- c) based on separate agreement to the address stated by the Client.

Unless otherwise agreed KELER CCP sends printed statement to the Client weekly.

## **2.6. The electronic customer relationship systems**

KELER CCP provides for electronic communication through the KID system or in messages sent in line with the KELER SWIFT Rule Book. Based on contract(s) concluded the Client can use either or both electronic customer relationship systems.

However, the Client will have to use the same electronic customer relationship system for giving related instructions (cancellation, suspension, etc.) to an instruction already submitted, and all status feedback will be provided in the customer relationship system used to send the original instruction.

KELER CCP sends end of day account statements and confirmations to the electronic customer relationship system(s) that the Client has valid agreement for.

### **2.6.1. Operation of the KID system**

The KID system is to be utilized in line with the provisions of the Eat., the regulations and form contracts of KELER.

Data generated in the KID system are electronic instruments that are provided with an electronic signature with increased security. Until the contrary is evidenced, data included in an electronic instrument must be considered non-falsified.

The terms of use of the KID terminal are specified in the service agreement and the KID User Manual.

In the communication system it is always the Client that initiates making the contact.

Statements can be inquired after the daily closing but at the latest after 7:00 hours on the next clearing day.

Downloaded statements can also be viewed in KID retrospectively. Balances and daily information show only the information last inquired.

#### **2.6.1.1. Orders refused by KID**

KID will not accept any order with format errors.

The date included in the batch (file) identifier of the orders forwarded on the KID terminal is the date of sending; one batch may contain orders relating to one settlement day only.

If orders arrive for the current day as settlement day after the cut-off times specified, KID will refuse them. The Client has the possibility to correct the refused batch within the specified time and to resend the batch with a new value date in accordance with the general regulations.

When checking the time of submission the system always takes into account the time indicated on KELER's central computer.

### **III. Clearing Membership System**

#### **3.1. General rules**

The present point regulates the rights and obligations of the Clearing Member and KELER CCP in respect of the Clearing Membership System.

KELER CCP operates a Clearing Membership System for the purpose of use of the guarantees. Participants of the Clearing Membership System:

- the General Clearing Member,
- the Individual Clearing Member,
- the gas market Clearing Member,
- the Non-clearing Member,
- the Principal,
- the Settlement Agent,
- and KELER CCP.

#### **3.2. Participants of the Clearing Membership System**

##### **3.2.1. General Clearing Member**

The General Clearing Member is a legal entity meeting the conditions provided for in these Rules to whom KELER CCP provides guarantee service. In case of default by other Clearing Members the General Clearing Member is entitled to make use the elements of the guarantee systems operated by KELER CCP, furthermore in the interest of financial, in certain cases physical settlement of guaranteed regulated market transactions the General Clearing Member is entitled to use the guarantee of KELER CCP. The General Clearing Member is entitled to provide clearing services to a legal entity not being a Clearing Member (Non-clearing Member) after announcement of the agreement concluded between them to KELER CCP.

The General Clearing Member obliges the Non-clearing Member in the agreement concluded to give information to his own Principals on the person of the General Clearing Member.

### **3.2.2. Individual Clearing Member**

The Individual Clearing Member is a legal entity with regulated market trading license meeting the obligations provided for in these Rules, the transactions of whom are guaranteed by KELER CCP in line with the provisions of the present Rules. The Individual Clearing Member is entitled to make use the elements of the guarantee systems operated by KELER CCP, furthermore in the interest of financial, in certain cases physical settlement of guaranteed regulated market transactions the Individual Clearing Member is entitled to use the guarantee of KELER CCP. The Individual Clearing Member is not entitled to provide clearing services to a Non-clearing Member.

### **3.2.3. Gas market Clearing Member**

#### **3.2.3.1. TP Clearing Member**

The TP Clearing Member is the legal person or Consumer with TP trading right in compliance with the requirements herein stated, the financial performance of TP transactions of which are guaranteed by KELER CCP in line with the provisions of these Rules.

In case of default by other TP Clearing Members the TP Clearing Member is entitled to use the elements of the TP guarantee system operated by KELER CCP, furthermore to use the guarantee undertaken by KELER CCP in the interest of financial performance of TP transactions. The TP Clearing Member is entitled to clear transactions on its own behalf only and cannot provide clearing services to Non-clearing Members or Principals.

#### **3.2.3.2. CEEGEX Clearing Member**

The CEEGEX Clearing Member is the legal person with CEEGEX trading right, for the CEEGEX transactions of which KELER CCP undertakes financial fulfilment guarantee in line with the provisions of these Rules.

In case of default by other CEEGEX Clearing Members the CEEGEX Clearing Member is entitled to use the elements of the guarantee systems operated by KELER CCP, furthermore to use the guarantee undertaken by KELER CCP in the interest of financial performance of CEEGEX transactions. The CEEGEX Clearing Member is entitled to clear transactions on its own behalf only and cannot provide clearing services to Non-clearing Members or Principals.

### **3.2.4. Non-clearing Member**

The Non-clearing Member is a legal entity with regulated market trading license whose guaranteed regulated market transactions KELER CCP guarantees for the General Clearing Member under the agreement concluded with a General Clearing Member. The Non-clearing Member is in legal relation with the General Clearing Member, it has no claim to receive compensation from the Guarantee Systems operated by KELER CCP and is not entitled either to take advantage of KELER CCP's guarantee for the purpose of financial, physical settlement of the transaction, as there is no legal relationship between the Non-clearing Member and KELER CCP. The Non-clearing Member can claim the General Clearing Member with whom it concluded a clearing agreement regarding guarantee providing and cannot claim KELER CCP regarding the service of guarantee providing. The Non-clearing Member is in the position of Principal.

The Non-clearing Member is entitled to make a clearing agreement with one General Clearing Member only for using clearing services in one range of transactions and in one Section. A Clearing Member with clearing membership in one particular range of transactions and Section cannot be Non-

clearing Member in the same range of transactions and Section.

### **3.2.5. Segregated Non-clearing Member, segregated Principal**

The segregated Non-clearing member or the segregated Principal is the Non-clearing Member of the Principal using the services of KELER CCP through a Clearing Member for which, at the request of the Clearing Member, KELER CCP keeps segregated collateral requirement records and position management accounts. The segregated Non-clearing Member or the segregated Principal is not entitled to receive compensation from the Guarantee Systems operated by KELER CCP, additionally, it is not entitled to take advantage of KELER CCP's guarantee for the purpose of financial, physical settlement of the transaction as it has no legal relationship with KELER CCP. The Principal can claim the Clearing Member with whom it concluded an agreement regarding guarantee providing and cannot claim KELER CCP regarding the service of guarantee providing.

### **3.2.6. Principal**

All the users of the services offered by KELER CCP through a Clearing Member (Non-clearing Member) are considered Principals. The Principal is not entitled to receive compensation from the Guarantee Systems operated by KELER CCP, additionally, it is not entitled to take advantage of KELER CCP's guarantee for the purpose of financial, physical settlement of the transaction as it has no legal relationship with KELER CCP. The Principal can submit claims arising from guarantee undertaking to the Clearing Member it contracted, it cannot submit claims arising from guarantee undertaking to KELER CCP.

### **3.2.7. Settlement Agent**

The Clearing Member ~~with no account necessary for clearing~~not maintaining the accounts required for the settlement of the cleared ~~transaction provides for clearing through transactions, ensures the settlement with~~ the involvement of the settlement agent mandated. The Clearing Member informs KELER and KELER CCP on use of the service. In this case ~~—except for credit institutions—~~the settlement agent is required to have the necessary bank accounts held with KELER or the Central Bank of Hungary and the securities accounts ~~kept by~~held with KELER.

The settlement agent has a legal relationship with the Clearing Member, it is not entitled to be satisfied by the guarantee systems operated by KELER CCP, furthermore it is not entitled to use the guarantee of KELER CCP in the interest of financial, physical fulfilment of transactions by the Clearing Member as the settlement agent has no legal relationship with KELER CCP.

### **3.2.8. KELER CCP**

KELER CCP is the operator of the Clearing Membership System and in line with the present Rules undertakes guarantee for the financial, physical settlement of the guaranteed regulated market transactions and the financial settlement of gas market transactions.

## **3.3. Clearing Membership relation**

### **3.3.1. Establishment and prerequisites of a Clearing Membership relation**

#### **3.3.1.1. Establishment and prerequisites of regulated market Clearing Membership relationship**

The prerequisites of concluding a Clearing Membership Agreement for regulated market Clearing Members are as follows:

- a) license by the MNB for performance of the activity or in case of foreign Clearing Members and Branch Offices license of the competent supervisory authority,
- b) compliance with the provisions of the present Rules regarding capital requirement.

### **3.3.1.2. Establishment and prerequisites of TP clearing membership**

The prerequisites of concluding a Clearing Membership Agreement for TP Clearing Members are as follows:

- a) For system operator licensee TP Clearing Member:
  - aa) MEKH license to undertake activity,
  - ab) Compliance with capital requirements herein stated,
  - ac) [Submission of the filled Know Your Customer questionnaire.](#)
- b) For TP Clearing Members in the shipper category:
  - ba) MEKH license to undertake activity,
  - bb) Valid capacity use, natural gas supply and system operator agreement with the supplier or cooperation agreement with the supplier concluded as a joining system operator,
  - bc) confirmation by FGSZ on the supplier category membership of the Client,
  - bd) Compliance with the capital requirements herein stated,
  - be) [Submission of the filled Know Your Customer questionnaire.](#)
- c) For TP Clearing Members in the user category:
  - ca) Valid agreement with the supplier on MGP nominations,
  - cb) Framework agreement concluded for at least one gas year with a member with shipper category on eventual supply tasks arising in relation to MGP transactions,
  - cc) confirmation by FGSZ on the user category membership of the Client,
  - cd) in case of Consumer, document on the natural person obliged to pay value added tax registered by the National Tax and Customs Authority,
  - ce) For Consumers a written application,
  - cf) Compliance with the capital requirements herein stated,
  - cg) [Submission of the filled Know Your Customer questionnaire.](#)

### **3.3.1.3. Establishment and prerequisites of CEEGEX clearing membership legal relationship**

The existence of valid TP clearing member legal relationship is the prerequisite of concluding Clearing Membership Agreement for CEEGEX Clearing Members.

### **3.3.1.4. Position management**

Guaranteed positions are confirmed and registered in the position management account, based on the clearing membership form contract concluded with KELER CCP.

In the multinet market position management sub-account can be opened for Non-clearing Members and segregated Principals only, Principal positions are normally registered on omnibus sub-account. In the case of segregated multinet market Non-clearing Member and segregated Principal position management is segregated to the individual level. In the case of derivative transactions position management is segregated to the individual level, irrespective of the selected method of segregation.

After daily clearing is closed KELER CCP sends confirmation to the Clearing Member on deals made, on actual positions determined on a rolling basis and the statement on transactions executed on the value date concerned.



### **3.3.1.5. Common rules on Clearing Membership Agreements**

The clearing membership legal relation is established by KELER CCP and the Clearing Member executing the Clearing Membership Agreement. With the Clearing Membership Agreement concluded the Clearing Member becomes entitled to use the guarantee and clearing services of KELER CCP .

In the Clearing Membership Agreement KELER CCP verifies compliance with applicable requirements based on the statement made by the Clearing Member on clearing rights by ranges of transactions, sections and types of clearing membership (general Clearing Member, individual Clearing Member, gas market Clearing Member).

From the point of view of KELER CCP clearing membership and exercising the clearing right, the spot market equities section and the BSE MTF market form one clearing entity, managed in an aggregate manner.

The term of the Clearing Membership Agreement concluded by KELER CCP and the Clearing Members prior to the operation of the BSE MTF market is automatically extended to the BSE MTF market. From the point of view of clearing membership and exercising the clearing right the spot market equities section and the BSE MTF market are clearing entities that are managed jointly.

For TP Clearing Members FGSZ, for CEEGEX Clearing Members CEEGEX confirms the existence of MEKH licenses, agreements and contracts directly to KELER, thus the applicant is not required to provide evidence thereto directly to KELER CCP.

The Clearing Member acknowledges that KELER informs KELER CCP on the Service Agreement and on all settlement related (Clearing Member and Non-clearing Member) securities account agreements and bank account agreements concluded with KELER, thus the applicant is not required to provide evidence thereto directly to KELER CCP.

KELER verifies compliance with technical conditions on the use of the guarantee provided, conclusion of agreements allowing the settlement and clearing of transactions concluded and that the underlying legal relationship continuously exists, verification of license by the MNB is based on information (publicly) made available by the competent supervisory authority.

For the purpose of checking the financial conditions related to the use of the guarantee undertaken, that is verification of compliance with the shareholders' equity requirement defined, the applicant regulated market Clearing Member is obliged to submit to KELER CCP the (unaudited) balance sheet and profit and loss statement for the last quarter as well as the previous year's audited balance sheet and profit and loss statement before concluding the agreement.

For the purpose of checking compliance with the shareholders' equity requirements the applicant gas market Clearing Member is obliged to submit to KELER CCP prior to concluding the agreement the audited balance sheet and profit and loss statement of the previous year.

If the applicant Clearing Member does not have audited financial statements, KELER CCP is entitled to require Additional Financial Collateral to the extent determined in Announcement.

If the applicant Clearing Member was registered not earlier than six months before the application is submitted or the applicant is established in the year of application, KELER CCP will dispense with the sending of the audited balance sheet and the profit and loss statement, and, if no information to the contrary is available, it will take the subscribed capital (equity capital or share capital) stated in the certificate of incorporation made available to it until the deadline stated in regulations to provide the subject period audited balance sheet and profit and loss statement.

If the applicant regulated market Clearing Member was registered earlier than six months before the application submission date, KELER CCP will dispense with the sending of the quarterly (unaudited) balance sheet and profit and loss statement.

[The filling of the Know Your Customer questionnaire required for the conduction of the Gas market Clearing Member legal relationship, is regulated by the respective Announcement of KELER CCP.](#)

The branch office in Hungary of a foreign enterprise registered within the EGT shall conclude the Clearing Membership Agreement in the name and on behalf of the enterprise with foreign seat.

For the establishment and maintenance of the clearing membership relation the branch office is obliged to meet data provision requirements towards KELER CCP under the present point in relation to the foreign business association also registered in the EGT founding the branch office by submitting the authentic Hungarian or English translation of relevant documents.

Upon the assessment of the clearing membership application KELER CCP is entitled to take into account risk based, other objective aspects also:

- Supervisory fines, decrees,
- payment discipline in the past.

KELER CCP shall be entitled to refuse to conclude an agreement with the applicant if the applicant cannot confirm beyond doubt compliance with the conditions stated herein. Risk based, objective aspects can be grounds for refusal also. Furthermore KELER CCP is entitled to refuse to conclude an agreement with the applicant if the applicant or its legal predecessor had clearing member relationship in the past 12 months period that KELER CCP terminated due to repeated default or breach of other clearing membership obligations. Non-compliance with the conditions stipulated herein represents additional inherent risks that threaten the reliable and efficient operation of the guarantee undertaken and the clearing system.

If a negative decision is made the applicant will receive a written notice on the refusal to conclude the agreement and the relevant reason within 30 days of receipt of the application by KELER CCP..

If the applicant sends written comments on the reason of refusal to KELER CCP within 30 days of receipt of refusal, KELER CCP will respond to such comments within 15 days. Without deadline the applicant shall be entitled to repeatedly make a proposal if the requirements of the present Rules and the content of the refusal of the previous application are fully taken into view.

### **3.3.2. Suspension of the Clearing Membership on request**

The Clearing Member is entitled to request in writing the suspension of his clearing membership. The condition of suspending the clearing membership on request is that the Clearing Member meets its obligations resulting from regulated market clearing prior to the suspension of the clearing membership taking force and that the Clearing Member has no open positions.

Suspension of a General Clearing Member at the request of the Clearing Member is only possible and takes force on the date when the Clearing of the Non-clearing Members is provided for by some other General Clearing Member or if the Clearing Agreement concluded with the Non-clearing Member was terminated and the General Clearing Member announced this fact to KELER CCP.

The clearing membership may be suspended at the request of the Clearing Member for a period of maximum 6 months. Should the Clearing Member fail to give written instruction regarding its clearing membership (i.e. it does not request restoration or termination of the clearing membership), KELER CCP is entitled to terminate in writing the Clearing Membership Agreement with immediate effect.

During the period of suspension of the clearing membership at the request of the Clearing Member, the Clearing Member is obliged to continue to comply with the requirements of the default fund concerned. Should the Clearing Member fail to meet this obligation KELER CCP is entitled to terminate in writing the Clearing Membership Agreement with immediate effect.

During the term of suspension at the request of the gas market Clearing Member the gas market Clearing Member is not entitled to settle gas market transactions, including imbalance transactions.

### **3.3.3. Termination of Clearing Membership**

The clearing membership relation may cease with termination of the Clearing Membership Agreement on the grounds as follows.

Cases of termination:

- a) At the request of the Clearing Member,
- b) Termination by KELER CCP, based on authorization by the present Rules in the cases as follows:
  - ba) in case of revocation of the necessary license by the MNB in case of regulated market Clearing Member, by MEKH in case of gas market Clearing Member
  - bb) extraordinary termination of the Clearing Membership Agreement by KELER CCP in cases specified in the present Rules,
  - bc) termination of agreements necessary for clearing.

KELER CCP shall advise the former Clearing Member, KELER, in case of regulated market Clearing Member BSE, EuroMTS and the MNB, in case of TP Clearing Member FGSZ and MEKH, in case of CEEGEX Clearing Member CEEGEX, FGSZ and MEKH on all terminations of the clearing membership.

The clearing membership can be terminated at the request of the Clearing Member only after 30 days from the date of the termination notice and after the obligations (including the obligation related to fee payment) resulting from regulated market, gas market settlement are met.

The clearing membership of the Clearing Member is terminated if it fails to meet obligations resulting from BSE, EuroMTS, and gas market settlement towards KELER or KELER CCP for 3 months. In this case KELER CCP shall terminate the Clearing Membership Agreement in writing.

If KELER CCP terminates the Clearing Membership Agreement, the Clearing Member and KELER CCP are obliged to settle accounts with one another. Until accounts are settled KELER CCP is entitled to continue to manage collaterals provided by the Clearing Member and to use them in the interest of settlement. Accordingly, the Clearing Member is entitled to dispose over the collateral it provided only after the accounts are settled with KELER CCP. The Clearing Member is obliged to meet obligations undertaken prior to termination and to meet changes to the obligations that occur prior to settlement of accounts.

### **3.4. Clearing Right**

Based on the clearing membership relation created the clearing right of the Clearing Member is established provided all conditions of the clearing membership system are met, the clearing right entitles the Clearing Member to use the clearing and guarantee services of KELER CCP.

The Clearing Member itself or through the settlement agent if a settlement agent is involved will meet the obligation to maintain continuously the bank and securities account required for settlement.

#### **3.4.1. Establishment of the Clearing Right**

After conclusion of the Clearing Membership Agreement the Clearing Member is entitled to exercise the clearing right only in respect of such ranges of transactions, sections, markets in which it is entitled to do so based on the Clearing Membership Agreement and related to which the Clearing Member provided the necessary financial cover and contributed to the relevant default fund.

### **3.4.2. Suspension of the Clearing Right**

Cases of suspending the clearing right:

- a) the clearing right of the Clearing Member can be suspended automatically in the cases stipulated in these Rules,
- b) based on decision by KELER CCP in the cases herein defined,
- c) suspension of accounts required for clearing.

In case of suspension of the clearing right KELER CCP sends the related notice in case of regulated market Clearing Members to the BSE and EuroMTS, in case of TP Clearing Members to FGSZ, in case of CEEGEX Clearing Members to CEEGEX and FGSZ.

KELER CCP informs the Clearing Member and KELER on notices sent to the BSE, EuroMTS, FGSZ and CEEGEX, in case of regulated market Clearing Member the MNB is informed, in case of gas market Clearing Member MEKH is notified.

In case of suspension of the clearing right of a General Clearing Member KELER CCP shall also advise the Non-clearing Members of the Clearing Member on the basis of information announced by the Clearing Member.

After the information is given the guaranteed regulated market transactions made by a Clearing Member with suspended clearing right and its Non-clearing Members, except for transactions concluded to decrease the positions for the period of suspension, will not be guaranteed by KELER CCP.

Once the notice is given gas market transactions concluded by the gas market Clearing Member with suspended gas market clearing right, except for transactions (sell transactions) concluded in the TP market to improve financial position during the term of the suspension and imbalance transactions are not guaranteed by KELER CCP. The BSE, EuroMTS and CEEGEX make sure before the start of trading, while FGSZ makes sure following receipt of the notice by KELER CCP that the suspended Clearing Member cannot conclude transactions during the day for which it is not authorized during the term of suspension. Should the Clearing Member conclude unauthorized transactions despite suspension, KELER CCP will refuse to confirm the transaction made.

KELER CCP may modify the list of suspended Clearing Members if the reasons of suspension are modified and will inform BSE and EuroMTS in case of regulated market Clearing Members without delay and FGSZ in case of TP Clearing Members, CEEGEX and FGSZ in case of CEEGEX Clearing Member without delay; informed parties will make sure that trading restrictions or release of trading restrictions are enforced based on the information received.

In case of suspension of the clearing right the clearing membership of the Clearing Member remains in force, therefore the Clearing Member continues to be obliged to execute settlement of the regulated market and gas market transactions and open positions and to provide the covers and collaterals necessary, including default fund requirements.

#### **3.4.2.1. General rules**

##### **3.4.2.1.1. Obligatory suspension of Clearing Right**

KELER CCP suspends the clearing right of the Clearing Member in the following cases and with regard to the suspension will refuse to accept further regulated market transactions and additional gas market transactions are not considered received:

- a) insufficient amount of the required collateral,

- b) in case of regulated market Clearing Member non-contractual fulfilment of the daily settlement,
- c) in case of gas market Clearing Member default of settlement,
- d) regulated market Clearing Member suspension the MNB PSZÁF, gas market Clearing Member suspension by MEKH, FGSZ or CEEGEX, blocking of account,
- e) in case of advice on the opening of insolvency proceedings,
- f) in case of bankruptcy proceedings, liquidation proceedings specified in the Cstv. started against the gas market Clearing Member or in case of a procedure resulting in the appointment of temporary receiver,
- g) termination of agreements required for clearing membership,
- h) failure to meet shareholders' equity requirements.

#### **3.4.2.1.2. Entitlement to suspend Clearing Rights**

KELER CCP is entitled to suspend the clearing right of the Clearing Member in the following cases and with regard to the suspension it is entitled to refuse acceptance and clearing of further regulated market and gas market transactions:

- a) non-contractual fulfilment by regulated market, gas market Clearing Members of fee payment obligation,
- b) if the Clearing Member fails to send the required audited Financial Statements even by the fifteenth day after the deadline,
- c) if the Gas market Clearing Member fails to fill the required Know Your Customer questionnaire even by the fifteenth day after the deadline.
- ~~e)d)~~ if the audited balance sheet bears a refusing, restricting or suspending clause,
- ~~d)e)~~ if the Clearing Member fails to send the required interim Financial Statements even by the fifteenth day after the deadline,
- ~~e)f)~~ if the Clearing Member fails to meet data provision requirements,
- f) if the Clearing Member fails to make a report on naming the Principal for more than sixty days,
- g) if a limit is exceeded,
- h) if facts are discovered during an on-site investigation that might endanger the safety of the market and KELER CCP
- i) an increase in the risk of the Clearing Member is noticed.

KELER CCP will consider the influence of the failure on KELER CCP, the capital market and the degree of threats to the same and will make a decision at its discretion in light of the consideration.

#### **3.4.2.2. Special rules relating to a Derivative Clearing Member**

The Clearing Member who fails to provide the required collateral or to perform the daily settlement and the Clearing Member whose clearing right has been suspended by the MNB and the Non-clearing Member being in contractual relation with it are entitled to close positions only in the way that the said members give order to a legal entity with trading license and the performing person has it registered in its own name but to the account of the Clearing Member with suspended clearing right, or exercising its trading right the Clearing Member with suspended clearing right makes exclusively positions closing transactions and initiates their clearing with KELER CCP.

Should a Clearing Member fail to fulfil its settlement obligations KELER CCP suspends the clearing right of the Clearing Member. If the Clearing Member with suspended clearing right has no regulated market trading license, then KELER CCP gives order to a legal entity with trading license for the possible compulsory liquidation that the performing person will get registered in its own name but on

the account of the Clearing Member with suspended clearing right.

#### **3.4.2.3. Special rules relating to the TP Clearing Member**

The TP Clearing Member not meeting collateral requirements or monthly and corrected monthly settlement, or with a clearing right suspended by MEKH or FGSZ is entitled to input offers (sell offers) only to improve financial positions at the TP or CEEGEX spot market. The TP Clearing Member with suspended clearing right during the term of suspension is entitled and obliged to participate in the full scale settlement of imbalance transactions.

If KELER CCP terminates the clearing membership legal relationship of the TP Clearing Member but based on TP regulations the earlier TP Clearing Member is obliged to participate in imbalance transactions KELER CCP makes the imbalance transactions between FGSZ and KELER CCP instead of the TP Clearing Member with terminated clearing membership. In this case FGSZ is liable to honor obligations related to the fulfilment of the transaction.

#### **3.4.2.4. Special rules relating to the Non-clearing Member**

The performing Non-clearing Members of the General Clearing Member with suspended clearing right have to conclude a Clearing Agreement with another Clearing Member within three clearing days and to transmit the still open positions of the Non-clearing Member to the new General Clearing Member indicated by the Non-clearing Member within three clearing days.

KELER CCP will accept the regulated market transactions of the Non-clearing Member for clearing and informs BSE, in case of MTS transaction EuroMTS on this fact after it has received a notification from the new General Clearing Member on acceptance of the company concerned for clearing.

In case of a General Clearing Member with suspended clearing right KELER CCP shall initiate emergency provisions regarding the positions of performing Non-clearing Members and Principals not transferred within three clearing days and will call on the Non-clearing Member to terminate the agreement existing between the General Clearing Member and the Non-clearing Member and to conclude an agreement with a new partner.

#### **3.4.3. Termination of the Clearing Right**

With the termination of the clearing membership of the Clearing Member the clearing right of the Clearing Member is also terminated.

### **3.5. Obligations of the Clearing Member and sanctions for infringement**

#### **3.5.1. General obligations and sanctions of infringement**

##### **3.5.1.1. Obligations of the Clearing Member**

The Clearing Member is obliged to:

- a) continuously maintain the activity license by the MNB if it is a regulated market Clearing Member, gas market Clearing Members obliged to continuously maintain the MEKH license for its activity,
- b) conclude and continuously maintain the agreements with KELER CCP that are necessary for Clearing Membership to start and to continue its activity,

- c) continuously maintain itself or through the settlement agent if settlement agent is involved, the bank and securities accounts necessary for settlement,
- d) pursuant to obligation defined in legislation to handle the assets and positions of Principals (HUF, foreign currencies, securities) separately from own assets,
- e) continuously comply with the capital, limit, data provision and other requirements specified in the present Rules,
- f) be liable for the fulfilment of its transactions made on the regulated market for its own account, for Principals as well as for Non-clearing Members (own and Principal), for the fulfilment of own account transactions and imbalance transactions concluded on the gas market in line with the provisions of the present Rules,
- g) make available the collaterals, financial covers, default fund contributions required by KELER CCP in the value, form and by the deadline stated in these Rules, the Announcements and the Lists of Conditions,
- h) define for its Non-clearing Members, Principals at least the collaterals required by KELER CCP
- i) to ensure the personal and material conditions necessary for clearing and settlement with the Principals as well as the Non-clearing Members.
- j) immediately notify KELER CCP on any default by the Non-clearing Members,
- k) inform KELER CCP on the suspension or termination of the stock exchange membership of the Principal with stock exchange membership,
- l) inform KELER CCP on changes to the non-clearing member registration form,
- m) join the KID system,
- n) at the request of KELER CCP provide information on the criteria and rules defined for Principals related to the use of the services offered by KELER CCP.

KELER CCP is entitled to check compliance with the herein listed obligations at on-site reviews or based on written statement by the Clearing Member.

### **3.5.1.2. Rights of KELER CCP in case of infringement by the Clearing Member**

In case of infringement of the obligations of Clearing Members laid down in these Rules KELER CCP is entitled to take the following measures:

- to impose an additional financial collateral on the Clearing Member even on the Non-clearing Member or Principal position,
- to hold an on-site investigation at the Clearing Member or to initiate a Clearing Member investigation or measures taken by the BSE and the MNB against the regulated market Clearing Member, by MEKH against the gas market Clearing Member,
- in the cases as defined in these Rules to suspend the clearing right of the Clearing Member,
- to terminate the Clearing Membership Agreement in cases herein defined by extraordinary notice.

On the clearing day following receipt of the confirmation the sanctions applied by KELER CCP – except for termination - will be repealed if it is confirmed that the causing reason no longer exists.

### **3.5.1.3. Rights of KELER CCP if Clearing Member related risks are observed to increase**

KELER CCP establishes the fact of 'observed Clearing Member risk increase' in the course of regular or extraordinary counterparty rating. KELER CCP informs the Clearing Member concerned on rating that is followed by case by case measures and the measures applied, however, the methodology and the result of rating are to be treated as confidential information.

KELER CCP is entitled to take the following measures if any Clearing Member related risks are



observed to increase:

- define additional financial collateral for the Clearing Member, for non-clearing member or Principal positions also,
- complete on site investigation at the Clearing Member or in case of the Stock Exchange and stock exchange Clearing Member initiate investigation and action by the MNB, in case of gas market Clearing Member investigation and action by MEKH,

If risks are observed to increase measures taken by KELER CCP cannot be considered sanctions implemented due to violation of Clearing Member obligations, measures are taken due to the relatively higher estimated counterparty risk level only.

If KELER CCP is of the opinion that the Clearing Member will not be able to meet its future obligations, in the interest of the security of the market it informs the competent authority without delay on the expected default.

### 3.5.2. Requirements for shareholders' equity and sanctions for infringement

#### 3.5.2.1. General requirements

The requirements for shareholder's equity of the Clearing Member are as follows:

	Derivative market		spot, BSE MTF and MTS market		TP and CEEGEX market	
	Commodity section	Ranges of transactions of the derivative section	Spot market Equities Section and BSE MTF	Spot market Debt Section and MTS market	Spot market	Physical futures market
TP, CEEGEX <b>individual</b> Clearing Member clearing for <b>own</b> account only	-	-	-	-	HUF 75 million	HUF 75 million
<b>Individual</b> Clearing Member clearing for Principal account only	HUF 75 million	HUF 75 million	HUF 75 million	HUF 75 million	-	
<b>Individual</b> Clearing Member clearing for own and Principal account also	HUF 75 million	HUF 100 million	HUF 100 million	HUF 100 million	-	
<b>General</b> Clearing Member	HUF 2,000 million	HUF 2,000 million	HUF 2,000 million	HUF2,000 million	-	

In case of non-resident Clearing Members KELER CCP takes into consideration the value of the shareholder's equity at the exchange rate of the MNB prevailing on the balance sheet date.

In case of Clearing Members operating as a branch office KELER CCP will assess and consider the shareholders' equity of the foreign enterprise establishing the branch office and registered in the EGT.

When assessing the capital requirements KELER CCP considers the actually paid shareholder's equity known to KELER CCP on the basis of the data provided by the Clearing Member, amended by the increase or reduction of the issued share capital announced by the Clearing Member.

Clearing Members are required to report to KELER CCP the increase or decrease of the subscribed capital without delay.

The amount of increase or reduction in the issued capital will be determined by KELER CCP pursuant to the amendment of the Foundation Deed, Articles of Incorporation forwarded to it and the application

for registration of amendment submitted to the Registry Court.

When assessing the criteria of clearing membership KELER CCP takes into consideration the reduction of the issued capital immediately after it is notified of this fact.

### **3.5.2.2. Sanctions if Client with clearing membership fails to meet shareholders' equity requirements**

If the amount of shareholders' equity of a Client with already existing clearing membership becomes lower than the amount required for clearing, KELER CCP takes the following measures:

- a) in addition to suspending the clearing right KELER CCP requires supplementary collateral the extent of which covers the additional risk arising from the lack of capital. Following confirmation of compliance with Clearing Member capital requirements (shareholders' equity and / or supplementary collateral) KELER CCP immediately restores the clearing right. [For the fulfilment of the supplementary collateral determined for the compensation of the lack of capital, KELER CCP accepts bank guarantee from non-financial clients irrespective of the market.](#)
- b) if the Clearing Member fails to meet the requirements defined in a) above, KELER CCP terminates the Clearing Membership Agreement with immediate effect, with extraordinary termination.

### **3.5.2.3. Sanctions if shareholders' equity requirement of new clearing member is not met**

If the shareholders' equity of a newly admitted Clearing Member does not reach the level defined in this section, KELER CCP requires supplementary collateral the extent of which covers the additional risk arising from the lack of capital.

## **3.5.3. General data provision obligations and sanctions of infringement**

### **3.5.3.1. General rules**

- a) The regulated market Clearing Member is responsible to meet the following data provision obligations:
  - aa) the Clearing Member is obliged to forward the audited balance sheet and the profit and loss statement, together with the auditor report and supplementary notes to KELER CCP by 30 June of the next year,
  - ab) the Clearing Member is obliged to forward interim Financial Statements in to KELER CCP quarterly, by the 30<sup>th</sup> day following each quarter, except for the Clearing Members of the commodity section as commodity exchange service providers are obliged to send semi-annually interim Financial Statements until the 30<sup>th</sup> day following the end of each June and December.
  - [ac\) the Clearing Member is obliged to submit the Know Your Customer questionnaire every year, until the 30<sup>th</sup> June of the year.](#)

The gas market Clearing Member has to meet the following general data provision obligation:

The gas market Clearing Member is obliged to send to KELER CCP until 30 June of the following year the audited balance sheet ~~and the~~ [profit and loss statement with the auditor's report and notes to the account, and the filled Know Your Customer questionnaire.](#) Consumers that have no data provision obligation are not subject to this requirement.

b) The form of general reporting under this point by the Clearing Member:

The Clearing Member shall forward to KELER CCP the balance sheet and the profit and loss statement in line with the provisions of prevailing regulations, in original copy, with authorized signatures, or in equivalent PDF or image file format, or by providing the access route to a public and official Internet web site, furthermore the Clearing Member shall simultaneously forward electronically such documents to KELER CCP, with the content in line with regulatory requirements, in the form of an xls table.

The Clearing member is obliged to forward the questionnaire to KELER CCP, in the way defined in the respective announcement of KELER CCP.

If the applicant Clearing Member or its parent company is a listed company, upon written declaration and application of the Clearing Member KELER CCP may dispense with the obligation of general data provision after assessing the content of the application. In this case the Clearing Member or its parent company is obliged to provide data with the content and within the deadline as provided for in the relevant regulations of the Stock Exchange where they are listed.

As from the clearing day following the expiry of the deadline for submitting the data required KELER CCP may impose additional financial collateral on the Clearing Member who failed to meet data provision obligations.

Should the Clearing Member fail to submit annual, semi-annual or quarterly Financial Statements and the Know Your Customer questionnaire even by the fifteenth day following the deadline for submission, until receipt of the document KELER CCP is entitled:

- a) to suspend the clearing right of the Clearing Member and to initiate the suspension of the trading right of the Non-clearing Members,
- b) to impose an additional financial collateral on the Clearing Member.

If the Clearing Member meets the obligation of sending Financial Statements but the document is sent in a form other than required, i.e. the balance sheet is incomplete, unaudited or the audit bears a refusing, restricting or suspending clause, KELER CCP will impose an additional financial collateral on the Clearing Member and subsequently ~~the members' meeting of KELER CCP~~ will decide on further sanctions in respect to the Clearing Member or on the suspension of the clearing right of the Clearing Member.

### **3.5.3.2. Special reporting obligations of gas market Clearing Members**

The gas market Clearing Member is obliged to continuously meet the financial terms herein defined in respect of clearing membership. The gas market Clearing Member is obliged to inform KELER CCP without delay of changes to such terms.

The gas market Clearing Member is obliged to inform KELER CCP without delay if it is unable or expects to be unable to meet any obligation related to any transaction concluded in the daily market.

The gas market Clearing Member is obliged to inform KELER CCP on material changes in the ownership structure of the gas market Clearing Member and on company law events pursuant to which the gas market Clearing Member is subject to Section 23 of the Tptv. towards any other member of the daily market.

### **3.5.4. Settlement obligation and sanctions for infringement**

In the interest of the settlement of regulated market and gas market transactions and related

guarantee undertaking the Clearing Member is obliged to proceed as provided for in these Rules and is also obliged to meet the obligation of settlement.

In case of repeated default (failure to meet the obligation of settlement) by the Clearing Member KELER CCP has the right to impose an additional financial collateral on the Clearing Member that will be semi-annually revised by KELER CCP at the request of the Clearing Member. If use of the related default fund becomes necessary due to default by the Clearing Member, KELER CCP may impose additional financial collateral for the year following the use, additionally, it is entitled to terminate the clearing agreement concluded with the Clearing Member with a notice period of one clearing day.

If the settlement obligations of the gas market Clearing Member are not met, following comprehensive evaluation of default risks KELER CCP is entitled to define additional financial collateral for the gas market Clearing Member or suspend the clearing right of the gas market Clearing Member in all gas markets, additionally it is entitled to terminate the clearing agreement concluded with the gas market Clearing Member with a notice period of one clearing day.

### **3.6. Limits and sanctions for limit excess**

- a) In respect of the derivative Clearing Members, KELER CCP applies the following limits:
  - Market Position Limit,
  - Capital Position Limit,
  - Limit of the Principals to be named.
- b) KELER CCP applies the following limits for TP Clearing Members:
  - TP position limit (limit coverage),
  - TP individual position limit.
- c) For CEEGEX Clearing Members KELER CCP applies the CEEGEX position limit
  -
- d) In the CEEGEX physical futures market KELER CCP applies the following limits:
  - market position limit,
  - capital position limit
- e) Except for the TP and CEEGEX position limit and the TP individual position limit, in case of a derivative and gas market Clearing Member exceeding the limit KELER CCP is entitled to
  - impose additional financial collateral,
  - oblige the Clearing Member to close positions,
  - suspend the clearing right of the Clearing Member.

The amount of the additional financial collateral may change depending upon the extent of limit excess. KELER CCP determines supplementary collateral if the TP individual position limit is exceeded.

#### **3.6.1. Market Position Limit**

If a Clearing Member's own net market position, that of its Principals, Non-clearing Members or an individual Principal reaches or exceeds 5 % of the open contract stock for the product concerned, KELER CCP is entitled to impose an additional financial collateral.

The additional financial collateral may be imposed on the Clearing Member (own and all of the Principals) regardless whether the limit was exceeded at Principal level or Clearing Member level. KELER CCP will determine the positions of the Principals netted (buy minus sell) by instruments.

KELER CCP will assess the positions of the Clearing Member by expiries for each buy and sell position separately in a way that for assessment of the buy positions of the Clearing Member it summarizes the net buy positions of all Principals and for assessment of its buy positions it summarizes the net sell positions of all Principals.

If the contract value of the futures net market position of a CEEGEX Clearing Member reaches or exceeds 20% of total market open interest, KELER CCP is entitled to determine additional financial collateral.

### 3.6.2. Capital Position Limit

For the derivative positions of derivative Clearing Members and CEEGEX physical futures Clearing Members KELER CCP shall apply the following Capital Position Limits:

	Without deposit of an additional financial collateral	With deposit of an additional financial collateral:
Limit calculated for own positions and that of the positions of the Principals of the Clearing Member	400%	800%
Limit calculated for own positions	20%	40%
Limit calculated for the position of an Individual Principal	100%	200%
Limit calculated for physical futures position of CEEGEX Clearing Member	400%	800%

If the Clearing Member reaches or exceeds the limit that can be reached against deposit of an additional financial collateral, KELER CCP may suspend the clearing right of the Clearing Member.

Method of calculating Capital Position Limits:

Requirement for initial margin calculated by KELER CCP / Shareholders' Equity.

In case of Clearing Members complying with all of the following conditions, the Capital Position Limit is calculated in a special way:

- if the Clearing Member is a credit institution registered in Hungary or any other member state of the European Union, excluding the cooperative credit institution (hereinafter credit institution Clearing Member)
- and the credit institution Clearing Member is a named Principal of some other Clearing Member (or Clearing Members).

For the limit values calculated on own position and on consolidated own and Principals' position of the credit institution Clearing Member complying with the above conditions the requirement for initial margin calculated by KELER CCP on the positions of Principals of the credit institution Clearing Member registered and named at some other Clearing Member must be taken into consideration.

At the same time the requirement for initial margin calculated on the positions indicated on Principals'

Accounts named by the credit institution Clearing Member at some other Clearing Members will not be taken into consideration for calculation of the limit values calculated on the consolidated own and Principals' positions of the Clearing Members.

If the credit institution Clearing Member is obliged to deposit an additional financial collateral due to exceeding the specially calculated Capital Position Limit, the additional financial collateral must be created on the collateral accounts of the Clearing Members associated with both the own positions of the credit institution Clearing Member and the Principal's positions of the credit institution Clearing Members.

The named Principals' positions of the credit institution Clearing Member at some other Clearing Member are handled in the same way as any other Principal.

When calculating the 'Limit for own positions and Principal positions of a Clearing Member' KELER CCP does not take into consideration the initial margin calculated on the positions of individual Principals that are obliged to create additional financial collateral due to exceeding the 'Individual Principal Position Limit'.

In case of capital position limits being exceeded for more than 3 days, KELER CCP shall define an obligation to provide additional financial collateral within two clearing days.

### **3.6.3. Naming the Principal**

KELER CCP is entitled to order the naming of the Principals if it finds it appropriate in respect of risk management. KELER CCP may call all Clearing Members executing Clearing in the Transaction Field, Section concerned or any Clearing Member determined individually to name the Principals.

The obligation for naming may cover:

- a) all Principals of the Clearing Member,
- b) a group of Principals reaching the limit determined by KELER CCP,
- c) in case of individual call, the Principal identified by the Code indicated,
- d) the Principals of the Non-clearing Member.

The call for naming the Principals effecting all Clearing Members of a Transaction Field, Section is published in an Announcement. The Announcement specifies which limit must be taken into consideration for naming.

If the naming obligation concerns a certain Clearing Member, the call will be made by an individual letter.

When naming the Principal the Clearing Member is obliged to announce to KELER CCP within two clearing days following receipt of the individual letter the name/person, tax number as well as the domicile/address of all of its Principals who are in conformity with the conditions indicated in the call.

Pursuant to the General Business Conditions of the Clearing Member the Clearing Member is obliged to ask the consent of the Principal in order to provide the data of the Principal to KELER CCP. If the Principal does not consent to the naming, the Clearing Member is obliged to report this fact to KELER CCP. In this case KELER CCP is entitled to impose an additional financial collateral on the Clearing Member regarding the Principal concerned.

Should the Clearing Member fail to fulfil the obligation of naming the Principal, KELER CCP may impose an additional financial collateral. Should the failure to meet the obligation of naming exceed sixty clearing days, KELER CCP is entitled to suspend the clearing right of the Clearing Member.

#### **3.6.4. TP position limit / limit coverage**

FGSZ defines TP position limit for TP Clearing Members. The TP position limit is an input limit on offers (buy offers) with financial obligation of TP Clearing Members.

The limit coverage calculated pursuant to an algorithm defined by KELER CCP is the basis of the TP position limit.

Based on limit coverage data provided by KELER CCP to FGSZ TP Clearing Members can input buy offers into the TP trading system up to the available free limit, based on this the TP trading system calculates and checks real time and continuously the limit usage and refuses buy offers that would result in limit excess.

Imbalance transactions created by KELER CCP are not subject to the TP position limit.

When defining limit coverage KELER CCP takes into account the following TP collaterals and elements of financial receivables / liabilities:

Collateral requirement:

- basic financial collateral,
- turnover margin,
- supplementary collateral,
- additional financial collateral.

Collateral elements:

- collateral assets blocked with TP title and with KELER CCP being the beneficiary of the blocking.

Financial receivables / liabilities:

- daily cumulated balance of imbalance transactions,
- daily cumulated balance of sell transactions,
- not yet met monthly preliminary financial results,
- not yet met monthly corrected financial results.

KELER CCP publishes the algorithm to establish limit coverage in the announcement on the turnover margin .

#### **3.6.5. TP individual financial position limit**

The net financial obligation in the clearing cycle of the TP Clearing Member cannot exceed 100 % of the value of the collateral blocked by the TP Clearing Member in favor of KELER CCP. If the risk not covered by collateral exceeds the limit defined, KELER CCP is entitled to require supplementary collateral from the TP Clearing Member, the level and term of validity of which will be defined by KELER CCP based on case by case consideration.

If the obligation to provide supplementary collateral required on such grounds is not met by the deadline defined, following a full-scale evaluation of default risks, KELER CCP is entitled to suspend the clearing right of the TP Clearing Member, additionally KELER CCP is entitled to terminate the clearing agreement concluded with the TP Clearing Member with a notice period of one clearing day.

#### **3.6.6. CEEGEX position limit**

KELER CCP determines position limit for CEEGEX Clearing Members. The CEEGEX position limit is

a trading constraint for spot market trading with financial obligation by CEEGEX Clearing Members. KELER CCP automatically refuses transactions exceeding the CEEGEX position limit.

When determining the CEEGEX position limit KELER CCP takes into account the following CEEGEX collaterals and elements with financial receivables / payables:

Collateral requirement:

- basic financial collateral,
- day-ahead market turnover collateral,
- supplementary collateral,
- additional financial collateral.

Collateral instruments:

- prevailing value of collateral instruments blocked with CEEGEX title, in favor of KELER CCP minus actual collateral need of open physical futures transactions.

KELER CCP publishes the algorithm used to define the CEEGEX position limit in an Announcement.

### **3.7. On-site investigation and related sanctions**

KELER CCP is entitled to conduct an investigation at the Clearing Member independently or jointly with KELER, the BSE, EuroMTS , FGSZ or CEEGEX:

- a) for the purpose of checking compliance with the provisions of these Rules,
- b) for the purpose of checking compliance with the conditions of the clearing membership,
- c) in case of repeated default by the Clearing Member,
- d) in case of exceeding the Market Position Limit,
- e) in case of exceeding the Capital Position Limit,
- f) in case of failure to meet reporting obligation,
- g) in case of increasing risk,
- h) in case of joint investigation for the purpose of checking compliance with the provisions of the rules of KELER, the BSE, EuroMTS, FGSZ and CEEGEX.

During the KELER CCP investigation KELER CCP is entitled to inspect the records of the Clearing Members and to require data related to the Principal.

In case of a minor problem detected during the KELER CCP investigation KELER CCP is entitled to make recommendation for the operation, activity of the Clearing Member investigated. KELER CCP may repeatedly check the implementation of the recommendation.

In case of non-respect of the recommendations as well as smaller deficiencies, KELER CCP will send its recommendations with a deadline defined for the implementation of recommendation and will call the Clearing Member to eliminate the deficiencies detected.

KELER CCP will check implementation of the recommendation and completion of the tasks defined once the deadline expired. The deadline defined for implementation cannot be less than three clearing days.

In case of major deficiencies KELER CCP is entitled to impose an additional financial collateral with joint application of the previous measures. The obligation for creation of an additional financial collateral remains in force until the deficiencies are eliminated.

In case of serious cases that may endanger the safe operation of the markets and KELER CCP, based on its own decision KELER CCP is entitled to oblige the Clearing Member investigated to close



the open positions or to suspend the clearing right of the Clearing Member with simultaneous application of the previous measures. Prior to initiating suspension of the clearing right, KELER CCP will consult the representatives of the BSE, EuroMTS and the MNB in case of regulated market Clearing Members, representatives of FGSZ and MEKH in case of TP Clearing Members, representatives of CEEGEX, FGSZ and MEKH in case of CEEGEX Clearing Members by providing a brief description of the problem and presentation of the options for decision and the measures taken.

KELER CCP is entitled to apply the measures that follow the on-site investigation one by one or together.

#### **IV. Clearing and settlement of guaranteed regulated market transactions**

##### **4.1. General provisions**

The General Business Rules and other regulatory documents of KELER CCP detail the rules of the clearing membership system operated by KELER CCP. Persons that joined the clearing membership and guarantee system operated by KELER CCP and concluded a service agreement with KELER are entitled to use the services of KELER CCP.

By concluding the service agreement the Clearing Member orders and authorizes KELER, in case of a credit institution Clearing Member the MNB as account keeping credit institution, to execute debit order(s) submitted by or on behalf of KELER CCP, the default fund beneficiaries against the bank account of the Clearing Member maintained and in favor of any of the bank accounts of the beneficiaries.

In case of default KELER CCP takes measures in line with the present Rules if the Clearing Member fails to meet fulfilment obligations in due time related to funds, securities and commodities. In case of default in all cases KELER CCP makes decision regarding compulsory provisions to be applied in line with the provisions herein stated. In terms of securities default management in all guaranteed regulated markets (multinet settlements, etc.) with respect to Clearing Members KELER CCP acts in line with the provisions stated in Section 7.3.4. of these Rules, in terms of financial default (purchase price, collateral, fee, etc.) in line with the provisions of Section 7.3.5. of these Rules, in line with the procedure on multinet settlement default management.

Clearing Members are obliged to provide collateral, such as basic financial collateral, additional financial collateral, default fund, initial margin, supplementary collateral and derivative variation margin until 08:50 hrs. on T+1 day following collateral calculation for T, Clearing Members will be advised thereof in statements or call sent by KELER CCP.

The Clearing Member shall be obliged to meet the obligation of multinet settlement and following intraday clearing to meet the obligation to provide collateral within 15 minutes of the call made by KELER CCP. KELER CCP completes intraday collateral calculation linked to multinet settlement if multinet settlement is automatically completed until 12:00 hrs.

The Clearing Member shall be obliged to meet financial and securities fulfilment obligations by the time stated in these Rules arising in relation to transactions with multinet settlement, in case of derivative transactions the obligations defined for physical settlements.

If the Clearing Member concluded a separate contract with KELER on the forwarding of data pursuant to Article 9 of EMIR to a trade repository, with respect to the clearing service it provided, instead of the Clearing Member, KELER CCP complies with the reporting obligation of the Clearing Member stated in Article 9. of EMIR related to the data of the derivative trades guaranteed by KELER CCP and the data of modification and termination of these trades. In this case KELER CCP creates automatically the UTI identifier suitable to identify the trade.

At the request of the Clearing Member, stated in the clearing membership agreement, based on the data available KELER CCP creates and makes available in the form of statement in the KID system the report that includes the data of the derivative trade entered on behalf of the Principal based on the agreement concluded by the Clearing Member and its Principal and is suitable to meet the reporting obligation pursuant to Article 9. of EMIR, furthermore, based on a separate order to this effect, KELER CCP creates the UTI identifier linked to the trade. This service by KELER CCP is limited to the publication of the statement only; KELER CCP does not make the report on behalf of its Clearing Member.

KELER CCP is able to meet the reporting obligation of the Clearing Member if the Clearing Member has a LEI code. KELER CCP is able to create the report based on the agreement between the Clearing Member and its Principal if both the Clearing Member and its Principal have LEI codes.

#### **4.1.1. Guaranteed regulated market transactions**

In case of derivative transactions in respect of transaction settlement Clearing Members are in legal relationship not with each other but with KELER CCP. With confirmation of the derivative transaction by KELER CCP, KELER CCP becomes an obligor and a beneficiary with regard to clearing and fulfilment to both Clearing Members participating in the transaction.

The condition of creation of the derivative transaction is that the transaction is confirmed by KELER CCP, from the time of confirmation the guarantee provided by KELER CCP takes force.

In case of transactions with multinet settlement KELER CCP provides guarantee following multilateral netting.

#### **4.1.2. Providing trading details on guaranteed regulated market transactions**

BSE – in case of MTS transactions EuroMTS - shall provide trading data as well as daily settlement and closing prices to KELER CCP at the time and in the manner stipulated in the cooperation agreements. BSE and EuroMTS will be liable for trading data provided.

Trading data are received from the BSE and EuroMTS in real time and following the close of trading, except for intra-day clearing, in aggregate form,.

In case of delayed provision of data according to the cooperation agreements that is not due to actionable conduct by KELER CCP, KELER CCP does not guarantee that settlement will be completed on the day concerned.

The provided data of transactions cannot be changed subsequently by the Clearing Member, KELER CCP will accept any application for change of trading data only from BSE and EuroMTS and is obliged to accept such application only until the beginning of clearing.

KELER CCP will not take into consideration in the course of clearing modifications arriving after the beginning of clearing. Eventual correction may be made according to individual procedures consulted with BSE and EuroMTS.

#### **4.1.3. Basic details of guaranteed regulated market transactions**

KELER CCP accepts transactions in line with the provisions of the cooperation agreements, with the content therein specified and in line with the provisions of Section XII of these Rules..

#### **4.1.4. Accrued interest**

For debt securities prices sent by the BSE do not include accrued interest.

KELER CCP executes clearing at gross deal price by using accrued interest received from the issuer.

If details regarding accrued interest are not available, KELER CCP will act as follows:

- a) if details are not available due to failure by the issuer: KELER CCP will advise the BSE prior to opening of the BSE on T-2 day, the BSE will suspend trading of the relevant securities as long as the issuer makes the data available to KELER CCP.
- b) if accrued interest cannot be defined by the issuer: settlements will be made without accrued interest, at net price.

## **4.2. Conditions of accepting guaranteed regulated market transaction**

Conditions of acceptance are as follows:

- a) the agreement containing the transaction contains correct data regarding form and shape,
- b) the transaction is for an instrument that can be traded on the day concerned,
- c) the Clearing Member has clearing right regarding the product concerned, furthermore clearing membership right of the Clearing Member is not suspended or restricted in any way,
- d) in case of Non-clearing Members with trading rights the clearing membership rights of the Non-clearing Member of the general Clearing Member is not suspended or restricted in any way,
- e) the additional conditions determined in Point 12.7.2. of these Rules are met.

Points c) and d) are exceptions to the above as in those cases the suspended Clearing Member can conclude or accept transactions to close derivative positions.

Should any of the above conditions not be met or in case of missing basic data, in line with the provisions of the cooperation agreement KELER CCP will not accept the transaction.

## **4.3. Segregation and portability**

### **4.3.1. General provisions**

For the settlement of guaranteed regulated market transactions all Clearing Members or their settlement agents must have the accounts in line with the segregation principles determined in this point at which accounts transactions concluded for the own account of the Clearing Member (if Clearing Member contacts a settlement agent for the account segregated by the settlement agent for the Clearing Member) can be segregated from transactions concluded on behalf of principals.

For the financial and securities settlement of all principal transactions of the Clearing Member the omnibus principal account of free purpose, separate from the own account is to be used.

For the financial and securities settlement of the Non-clearing Member transactions of the Clearing Member the principal non-clearing member account of free purpose, separate from the own account or the omnibus principal account is to be used. With respect to the Non-clearing Member and KELER CCP having no legal relationship with one another, the Clearing Member can request the opening of individual non-clearing membership accounts based on the agreement existing between the Clearing Member and the Non-clearing Member in the interest of settlement of transactions by the Non-clearing Member

At the written request of the Clearing Member KELER CCP maintains individual collateral requirement records and position management records for the segregated Non-clearing Member or the segregated principal. In the case of the Non-clearing Member the free purpose principal Non-clearing Member account, separate from the own Clearing Member account or the omnibus principal account is to be used for the financial and securities settlement of the trades of the segregated Non-clearing Member or the segregated principal, in the case of the principal the omnibus principal account is to be used.

In the course of meeting the collateral requirement the surplus collateral of a segregation level concerned cannot be taken into account to meet the collateral required at another segregation level with collateral shortage. If there is collateral shortage, irrespective of the segregation level with collateral shortage, KELER CCP suspends the clearing right of the Clearing Member. If there is a shortage of collateral at the level of omnibus principals, segregated Non-clearing Member or segregated principal, the Clearing Member can meet the collateral requirement by transferring, blocking its own collaterals to the collateral accounts with shortage.

The Clearing Member is obliged to keep the collaterals of the segregated Non-clearing Member, the segregated principal at the sub-accounts opened for the segregated Non-clearing Member or the segregated principal. All the collaterals for the transactions of the segregated Non-clearing Member or the segregated principal, including the collateral in addition to the collateral requirement defined by KELER CCP, are to be deposited, blocked in the segregated collateral accounts. The collaterals of the segregated Non-clearing Member or the segregated principal are maintained separately from the own assets of the Clearing Member and the assets of other Non-clearing Members or principals, those can be used only in case of default by the segregated Non-clearing Member or the segregated Principal. In case of default by the segregated Non-clearing Member or the segregated principal the collateral in addition to the collateral requirement determined by KELER CCP can be used also to cover the default.

Open positions and related collaterals provided can be transferred in the following cases:

- any time at the request of the principal in line with Point 4.6.5.4. of these Rules,
- in case of default in line with Point 4.3.5. of these Rules.

#### **4.3.2. Segregation in position registration and confirmation**

##### **4.3.2.1. Derivative transactions**

Irrespective of the method of segregation selected, derivative positions are always registered and confirmed at own and individual principal level for Clearing Members and at own and individual principal level for Non-clearing Members.

#### **4.3.3.2 Multinet transactions**

Positions with multinet settlement are registered and confirmed at own, omnibus principal and segregated principal level for Clearing Members and – irrespective of the method of segregation selected - at own and omnibus principal level for Non-clearing Members.

For Clearing Members using a settlement agent positions are registered and confirmed at own, omnibus principal, segregated principal level and – irrespective of the method of segregation selected - at own and omnibus principal level for Non-clearing Members.

#### **4.3.3. Segregation in settlements**

##### **4.3.3.1. Derivative transactions**

Derivative transactions are settled at own and omnibus principal level for Clearing Members. The own and individual principal positions of Non-clearing Members are settled together with the Clearing Member omnibus principal positions.

##### **4.3.3.2 Multinet transactions**

Multinet transactions are settled at Clearing Member own and Clearing Member omnibus principal level.

If the Non-clearing Member has a settlement account, Non-clearing Member transactions are settled at omnibus Non-clearing Member level, irrespective of the method of segregation selected. If there is no Non-clearing Member settlement account, Non-clearing Member transactions are settled at the Clearing Member omnibus principal level, irrespective of the method of segregation selected.

For Clearing Members using settlement agent multinet transactions are settled at own and Clearing Member omnibus principal level, and if the Non-clearing Member has a settlement account at omnibus Non-clearing Member level, irrespective of the method of segregation selected. If there is no Non-clearing Member settlement account, Non-clearing Member transactions are settled at the Clearing Member omnibus principal level, irrespective of the method of segregation selected.

#### **4.3.4. Segregation related to collateral requirements**

##### **4.3.4.1. Derivative transactions**

Collateral requirements related to derivative transactions are determined at Clearing Member own, Clearing Member omnibus principal and segregated principal and – irrespective of the method of segregation selected – at Non-clearing Member own and Non-clearing Member omnibus principal level. Compliance with collateral requirements is checked at Clearing Member own, Clearing Member omnibus principal, segregated Non-clearing Member and segregated principal level. Compliance with non-segregated Non-clearing Member collateral requirements is checked at omnibus principal level.

##### **4.3.4.2. Multinet transactions**

Collateral requirements related to multinet transactions are determined at Clearing Member own, Clearing Member omnibus principal, segregated principal level and – irrespective of the method of segregation selected – at Non-clearing Member own and Non-clearing Member omnibus principal level. Compliance with collateral requirements is checked at Clearing Member own, Clearing Member omnibus principal, segregated Non-clearing Member and segregated principal level. Compliance with non-segregated Non-clearing Member collateral requirements is checked at omnibus principal level.

For Clearing Members using settlement agent collateral requirements related to multinet transactions are determined at Clearing Member own, Clearing Member omnibus principal, segregated principal level and – irrespective of the method of segregation selected – at Non-clearing Member own and Non-clearing Member omnibus principal level. Compliance with collateral requirements is checked at Clearing Member own, Clearing Member omnibus principal, segregated Non-clearing Member and segregated principal level. Compliance with non-segregated Non-clearing Member collateral requirements is checked at omnibus principal level.

#### **4.3.5. Portability of collaterals, client protection**

##### **4.3.5.1. Back-up clearing member**

Pursuant to the agreement concluded by the back-up clearing member and the segregated Non-clearing Member or segregated principal, the back-up clearing member is entitled to take over the positions and collaterals of the performing segregated Non-clearing Member or segregated principal at their request in case of default by the Clearing Member of the segregated Non-clearing Member or the segregated principal; this request is submitted by the back-up clearing member to KELER CCP on behalf of the segregated Non-clearing Member or the segregated principal. By submitting the request the back-up clearing member makes a statement to KELER CCP on taking over the performing segregated Non-clearing Member of the segregated principal. KELER CCP completes the transfer of position and collateral in line with the statement of the back-up clearing member.

The condition of position and collateral transfer is that the back-up clearing member has active clearing right in the section, range of transaction or market corresponding to the positions to be taken over.

##### **4.3.5.2. Portability**

Following default by the Clearing Member in its omnibus principal account, within 2 hours of the call the Clearing Member in default makes a written statement on the Non-clearing Member, principal code to which the default is related.

Positions and collaterals of the performing Non-clearing Member, principals can be transferred within three clearing days of the establishment of default. If transfer is not completed within the deadline, KELER CCP applies compulsory provisions and acts in line with the provisions herein stated with respect to the untransferred positions and collaterals.

KELER CCP decreases the open interest of the position management account involved with the position transferred, at the same time increases the open position of the position management account holder receiving the position with the position taken over.

##### **4.3.5.2.1. Segregated Non-clearing Member, principal**

In the case of default by the Clearing Member, irrespective of consent by the guilty Clearing Member, the performing segregated Non-clearing Member, segregated principal can request in writing the transfer of its positions and collaterals to the receiving Clearing Member it appointed or to the back-up clearing member. The request of the segregated Non-clearing Member or segregated principal is submitted to KELER CCP by the receiving or back-up clearing member acting on their behalf. The receiving or back-up clearing member can be obliged to take over the positions and related collaterals pursuant to its consent if the appropriate agreement is concluded.

The condition of position and collateral transfer is that the receiving or back-up clearing member has active clearing right in the section, range of transaction or market corresponding to the positions to be taken over.

KELER CCP informs subsequently the guilty Clearing Member on the result of the transfer.

##### **4.3.5.2.2. Non-segregated Non-clearing Member, principal**

In the case of default by the Clearing Member, irrespective of the consent by the guilty Clearing Member, the performing non-segregated principals jointly or their representative can request in writing the transfer of their positions and collaterals to the receiving clearing member jointly appointed. The request of the non-segregated principals is submitted to KELER CCP by the receiving Clearing Member acting on their behalf. The receiving Clearing Member can be obliged to take over the positions and related collaterals pursuant to its consent if the appropriate agreement is concluded.

The condition of position and collateral transfer is that the receiving clearing member has active clearing right in the section, range of transaction or market corresponding to the positions to be taken over.

KELER CCP informs subsequently the guilty Clearing Member on the result of the transfer.

#### **4.3.5.2.3. Special rules applicable to transactions with multinet settlement**

In the case of transactions with multinet settlement the financial and securities positions arising from transactions registered at the defaulting Clearing Member and related collaterals cannot be transferred to another Clearing Member. Free collaterals can be transferred as cover for the transactions registered at the receiving or back-up Clearing Member.

#### **4.3.6. Disposal over the position management account**

Unless law or authority expressly provides otherwise KELER CCP accepts any instruction over the position management account exclusively from the Client.

KELER CCP accepts any instruction from the Client only if signed by the person authorized to sign on behalf of the company or by the person authorized in writing by the representatives authorized to sign on behalf of the company.

KELER CCP does not accept any restriction on the amount concerned in terms of right of representation.

The Client can send orders to KELER CCP as follows:

- a) via the electronic customer relationship system,
  - via the KID system or
  - in SWIFT message submitted in line with the KELER SWIFT Rule Book
- b) by mail or personally delivered on the form used for this purpose, or
- c) in encrypted fax message.

KELER CCP will check the right of signature and accept instructions for transactions with the pre-notified, authentic signature only, or in case of orders sent in the electronic customer relationship system with electronic signature only.

In case of any change to the rights of representation advised KELER CCP considers the representative and its signature registered effective as long as advice on the new, changed rights of representation by the Client or by KELER is received.

If an instruction by the Client is signed by an unauthorized person, KELER CCP rejects the instruction and provides the reason of rejection, with simultaneous advice thereof to the submitting party.

KELER CCP considers that instructions submitted electronically are given by persons with right to dispose over the position management account. The Client is responsible to make sure that only persons authorized by the Client for this purpose can access instruments for providing electronic instructions.



Additionally KELER CCP shall be entitled to accept instructions received in non-encrypted fax:

- if the Client concludes an individual agreement with KELER CCP thereon,
- on a case by case basis, when following signature verification KELER CCP requests telephone confirmation by the Client regarding details of the instruction. The Client submitting the instruction is responsible for the authenticity of instructions and damage resulting therefrom.

Without separate instruction by the Client but with notification sent to the Client, based on authorization provided according to these Rules KELER CCP completes the correction of credit and debit items that arise due to error by KELER CCP.

KELER CCP shall publish the order of submitting and executing individual instruction types in Announcements.

#### **4.3.7. Suspension of the right of disposal over the position management account**

In case of order by the MNB, liquidator or any other authority KELER CCP will suspend the right of disposal of the Client for the period provided for by the organ having the right to do so. In this case the suspension does not affect the settlement of any transaction that is yet to be settled and were made before the order taking effect and the enforcement of the bail. The person appointed by the authority initiating the arrangement shall be entitled to exercise the right of disposal.

In case of violation of provisions of regulations, the provisions stated in these Rules and in the General Business Rules of KELER, in case of default and in all other justified cases KELER CCP shall be entitled to restrict turnover in position management accounts that is in fact the temporary suspension of debit items on the account.

#### **4.4. Tasks of KELER CCP upon termination of BSE, BSE MTF market, MTS market and BSE product**

##### **4.4.1. Derivative clearing**

In case of termination of the BSE, the BSE MTF market, the MTS market or the BSE product KELER CCP shall proceed as follows:

- a) unless otherwise instructed by the MNB or agreed between the BSE and KELER CCP, or EuroMTS and KELER CCP, it will settle and close all open positions in its records as well as position concerned on the basis of the official settlement price of the last trade day.
- b) for spot deals (commodities section) and after expiration of a BSE futures transaction, in case of contracts with physical delivery KELER CCP will act in line with the provisions of the prevailing BSE rules until total settlement of the deal is completed,
- c) in case of BSE futures transaction the transactions will be closed at the official settlement price of the previous stock exchange day,
- d) in case of option transactions KELER CCP will consider automatically exercised all options bought at the money and in the money and fulfils financial settlement thereof. KELER CCP will automatically cancel all out of money options.

Receivables and payables will be settled according to KELER CCP's clearing rules.

##### **4.4.2. Multinet clearing**

Unless otherwise instructed by the MNB or specified in the agreement concluded by the BSE or EuroMTS with KELER CCP, BSE and EuroMTS shall announce the termination of a product with multinet settlement at least 5 days prior to termination to KELER CCP and shall determine how to handle existing guaranteed regulated market transactions for the product to be terminated.

#### **4.5. Clearing and settlement of transactions with multinet settlement**

The transaction made on T day with multinet settlement on T+2 days is considered a T day guaranteed transaction.

KELER CCP completes the settlement of guaranteed regulated market transactions with T+2 settlement with multilateral netting, applying the principle of Delivery versus Payment (DVP).

Transactions registered in the individual position management account can be sent directly by the BSE. A transaction is allocated if the Clearing Member provides the position management account number together with the data of the trade related to which the trade is to be registered. If a mistaken position management account is stated, KELER CCP clears the trade concerned together with the omnibus principal positions. The Clearing Member is liable for the mistake.

KELER CCP registers multinet positions in the position management accounts corresponding to the segregation.

##### **4.5.1. Multilateral netting of T day securities transactions**

After confirmation of transactions KELER CCP performs multilateral netting by Clearing Member, securities and segregations, stating the segregated sell or buy position of the Clearing Member, aggregated by securities and calculated for T day.

Furthermore KELER CCP performs segregated financial netting of T day transactions for each Clearing Member, stating the segregated sell or buy position of the Clearing Member calculated for T day, broken down by currencies. KELER CCP will advise the Clearing Member on financial and securities netting until 7:30 hrs. on T+1 day (SD-1 day).

##### **4.5.2. Fulfilment of transactions with multinet settlement**

###### **4.5.2.1. General rules of fulfilment**

The net securities seller of T day has to provide the amount of securities necessary for fulfilment of T day transactions on the segregated stock exchange securities settlement sub-accounts at the latest until 14:00 hrs. on settlement day.

The multinet net buyer of T day has to ensure that the HUF and foreign exchange cover necessary for fulfilment of T day transactions to be settled on settlement day is available in a segregated manner on its bank accounts at the latest by 14:00 hrs. on settlement day.

From 7:00 hrs. on settlement day (from the start of real time processing) KELER will withdraw the amount of securities necessary for settlement on settlement day from the stock exchange securities settlement sub-accounts of the Clearing Member or the stock exchange securities settlement sub-accounts opened by Non-clearing Members by initiating a high-priority debit item and will credit it to the stock exchange technical settlement account of KELER CCP used for settlement.

Simultaneously with the above KELER will withdraw the funds necessary for SD settlement from the segregated cash accounts of the Clearing Member or if the bank account of the Clearing Member is kept with the MNB from the bank account kept with the MNB by initiating a high-priority debit item and will credit it to the stock exchange technical bank account of KELER CCP.

KELER continuously verifies cover regarding the debit items initiated and if sufficient cover is available on the accounts of the Clearing Member, the debit item is executed without delay. If the bank account is kept by the MNB, KELER will submit a debit transaction in the VIBER system to MNB, MNB is in

charge of verification of cover and debiting the account. In this case KELER will credit the stock exchange technical bank account based on the information provided by the MNB.

#### **4.5.2.2. Fulfilment of transactions with multinet settlement**

After collection of financial and securities cover necessary for fulfilment KELER will post the necessary debit and credit entries to the technical securities account of KELER CCP and the securities account of the Clearing Member, and to the stock exchange technical bank account of KELER CCP and the bank accounts of the Clearing Member. Credit entries to the accounts are final and irrevocable.

KELER CCP will advise Clearing Member on the multinet settlement completed in a message sent in KID.

The Clearing Member receives information on the fulfilment of obligations related to multinet settlement from the call sent by KELER CCP or the stock exchange trade confirmation sent

#### **4.5.2.3. Rules on the settlement of compensation notes**

Settlement of trading in compensation notes on the BSE is in line with the provisions of this section, with the difference that compensation notes are received not by KELER but by the investment enterprise, credit institution authorized by the issuer for this purpose.

The investment enterprise and the credit institution authorized to take receipt of compensation notes transfers the compensation notes delivered by it to the account of the beneficiary. For the transfer in addition to the main account code of four digits the sub-account codes type „S”, i.e. S00000 or type „M”, i.e. M00000 are also to be given depending upon whether the Client requests credit to its own or its Principal's account.

If compulsory buying-in ordered by KELER CCP against any Client due to error by the investment enterprise, credit institution authorized to receive compensation notes, the Client is entitled to enforce its claim for damages against the entity appointed as central depository of compensation notes.

#### **4.5.2.4. Special rules on the settlement of structured products**

If the structured product expires or is terminated KELER CCP shall participate in the settlement (financial settlement) of the receivables contained in the Final Terms of the structured product after compensation provided by the issuer is made available to KELER CCP; this compensation may be made available to KELER CCP at a time after cancellation of the structured product.

Financial settlement is completed through the issuer of the structured product and the custodian chain involved at a price defined and made public by the issuer.

The guarantee provided by KELER CCP does not apply to the fulfilment of obligations defined in the Final Terms of the structured product.

#### **4.5.2.5. Rules on the settlement of BSE MTF transactions**

BSE MTF transactions are settled in line with the provisions of this section and the BSE shall report BSE MTF transactions among transactions with multilateral net settlement to KELER CCP and their settlement is completed jointly with the settlement of equities transactions (on T+2), in line with the applicable regulations. The scope of the service agreement on clearing membership concluded by KELER CCP and the Clearing Member prior to the start of operation of the BSE MTF market automatically covers the BSE MTF market also.

## **4.6. Clearing of derivative transactions**

### **4.6.1. Transfer of data**

If as a general agreement KELER CCP receives information from BSE only after the close of trading and in an aggregated manner and there is a difference between the data forwarded electronically and those included in the trading list, KELER CCP considers electronically received data valid. An exception to this rule is trade date, if there is a trade date discrepancy the date of transfer of data is considered trade date by KELER CCP.

If in case of derivative transactions, as a general agreement BSE provides trading data to KELER CCP in real time and there is a difference between these data and the aggregated data at the end of the day, KELER CCP considers real time data valid.

If real time provision of data is interrupted for some technical reason temporarily or during the entire period of trading, or is erroneous, KELER CCP considers aggregate data at the end of the day valid. If there are ongoing insolvency proceedings against the Clearing Member, following receipt of the advice on the proceedings KELER CCP considers valid the data received so far.

### **4.6.2. Allocation**

A so-called allocated transaction may come directly from the BSE to an individual position management account, and so-called unallocated transaction to temporarily omnibus accounts. A transaction is allocated if the Clearing Member, in addition to deal data, gives the number of the position management account as well for which the deal is requested to be registered. In case of an unallocated transaction, the Clearing Member undertakes to have the deal made on a certain day registered to a position management account of similar character in a previously announced segregation. The segregation cannot be changed by giving the allocation

After receipt of aggregate trading data the Clearing Member has the possibility to submit allocation in the KID system for deals made on the relevant day until the time specified in the Announcement, KELER CCP will not accept any allocation from the KID system within trading hours and after the defined cut-off time.

During allocation there is a possibility to break down the deal made by breaking down the entire amount dealt into smaller parts due to various principals and/or Non-clearing Members, however, the total of the smaller parts will equal the entire amount. If the amount of allocation exceeds the unallocated amount of the deal concerned, KELER CCP will refuse to accept the allocation.

An allocated deal cannot be allocated again, the allocation cannot be changed. Incorrect allocation can be changed only by submitting an application for position transfer for the next clearing day. If due to incorrect allocation a position transfer is required where the position was closed on the previous day, at the request of the Client KELER CCP has the right to reopen the deals allocated incorrectly and to execute the position transfer

As part of clearing at the end of the day KELER CCP will automatically transfer all transactions where no allocation was received by the time stipulated to the own position management account of the Clearing Member, irrespective of the segregation aspect indicated,

### **4.6.3. Position segregation**

KELER CCP registers derivative positions on position management accounts.

For management of the positions position management accounts can be opened by principal, including the principal of the Non-clearing Member, derivative position of the principal concerned are maintained by KELER CCP on these accounts.

The Clearing Member has the possibility to request the opening of several own position management accounts from KELER CCP at the time of opening the account. For a Non-clearing Member only one own position management account can be opened. Clearing Members concluding market making deals on the BSE are obliged to open separate position management account for management of the market making deals

#### **4.6.4. Amendment, correction of basic data**

Basic data can be amended only at the request of the BSE, in case of a technical error. KELER CCP performs any amendment, correction by generating a transaction with the same content but of opposite direction as the originally erroneous transaction, thus terminating any obligation from the erroneous transaction, and at the same time it establishes a new, correcting transaction with correct data.

#### **4.6.5. BSE futures transaction**

##### **4.6.5.1. Concluding the BSE futures transaction**

A BSE futures transaction is concluded under the financial and fulfilment conditions stipulated by KELER CCP with the provision that the BSE shall register the deal if conditions defined by the BSE are met and KELER CCP confirms receipt of the deal.

By confirming the transaction KELER CCP undertakes guarantee for fulfilment.

KELER CCP executes BSE futures transaction in the way announced by the BSE in the list of contracts, with final settlement in cash, physical delivery or with warehouse warrant.

##### **4.6.5.2. Termination of the BSE futures transaction**

The BSE futures transaction may be terminated as follows:

- by position closing,
- by position transfer,
- upon expiry:
  - o by cash settlement (HUF and foreign exchange),
  - o by physical delivery (securities, warehouse warrant, foreign currency),

##### **4.6.5.3. Position closing**

A Clearing Member may terminate its buy and/or sell obligation any time before expiry if it has an opposite position on the same position management account for the same product/expiry and quantity, and it previously indicated net maintenance for BSE futures transaction upon position account opening or in case of gross maintenance method by indicating the quantities of daily positions to be closed it gives instruction to close.

The maintenance method of an option position is always net. When closing a position, KELER CCP will cancel the closed positions from open interest on the position management accounts.

The Clearing Member is entitled to change the instruction for management of open positions. The change required will be effective from clearing at the end of the day following receipt of the instruction.

##### **4.6.5.4. Open position transfer**

Irrespective of the type of segregation, open positions can be transferred at individual principal, Non-

clearing Member level or for all the principals, Non-clearing Members of the Clearing Member.

Pursuant to regulations of the BSE, positions may be transferred in KID between the position management accounts of the same or different Clearing Members with appropriate collaterals based on consent by principals.

KELER CCP will execute position transfer only if the Clearing Member receiving the position has the required financial assets.

KELER CCP will execute transfers of positions within the framework of T day clearing after receipt of position transfer applications with the same content by the transferor and the transferee if the application for change:

- is received in the KID system,
- is received by KELER CCP on the given clearing day before the cut-off time stated in the Announcement,
- in case of transfer between Clearing Members, the transfer was applied for by both Clearing Members,
- in case of transfer between principals within a clearing member account, the Clearing Member concerned signed the application.

KELER CCP will reduce open interest of the position management account concerned with the amount of the position transferred and simultaneously it will increase the amount of open positions of the position management account of the recipient account holder with the amount transferred.

Transfer of positions among the principal and own position accounts is allowed only with endorsement by the MNB, except for receipt in own account due to principal default and transfer of positions due to physical settlement.

If a section member with trading right makes an own account transaction for a Clearing Member without trading right, it can transfer the deal to the ordering Clearing Member by transfer of position as own account position of the Clearing Member.

At the instruction of the MNB or any other authority, KELER CCP is entitled to transfer principal positions.

Position transfer does not affect the turnover statistics of the BSE and the BÉTa market.

#### **4.6.5.5. Settlement upon expiry**

##### **4.6.5.5.1. Final settlement in cash upon expiry**

In case of final cash settlement, KELER CCP will automatically close all open positions outstanding for the relevant month. The final settlement price at the time of expiration is provided by the BSE to KELER CCP at the time and in accordance with the algorithm specified in the Regulation of the BSE.

The final settlement price of position cancellation is the settlement price created by the BSE

##### **4.6.5.5.2. Fulfilment by physical delivery of securities**

In case of contracts announced by the BSE for physical settlement the BSE futures transactions not closed by the end of the last trading day of the month of expiration and the exercised/distributed options can only be fulfilled with physical delivery.

Settlement of the BSE futures transaction on the last trading day of the month of expiration is made at

the settlement price of expiration (delivery) indicated by the BSE.

Fulfilment of a transaction with prompt physical delivery opening from the exercised options is made at the exercise price of the option concerned.

During the settlement cycle KELER CCP continues to manage the open positions segregated up to principal level and KELER CCP determines initial margin by taking it into account.

Within the settlement cycle KELER CCP is entitled to continuously evaluate the positions obliged to physical fulfilment with observation of the spot market price and, if necessary, to require further collateral.

#### **4.6.5.5.3. Physical delivery of securities**

After daily settlement KELER CCP will state the quantity, counter value (in case of debt securities with accrued interest) of the net one-way own and net one-way omnibus principal positions of the Clearing Member out of all own account and principal positions of the Clearing Member outstanding for delivery and will send information to the member thereon.

The last day of the settlement cycle is the second clearing day following the last trading day (T+2).

A Clearing Member with a sell position is obliged to make available the required securities, with observation of the quantities and securities specified in the list of contracts, on its securities account, in accordance with position segregation, by 10:00 hrs. on settlement day.

A Clearing Member with buy position is obliged to deposit the counter value of the amount to be received on the securities purchase price deposit accounts kept with KELER, in accordance with position segregation, by 10:00 hrs.

In case of a credit institution with buy position KELER will debit the cash account of the credit institution kept with the MNB up to the extent of the purchase price, in VIBER, as part of DVP transaction settlement.

After 10:00 hrs. KELER executes the settlement of physical deliveries up to the extent of securities and purchase price available. During daily settlement KELER CCP will cancel futures open positions at the settlement price at expiration (in case of debt securities including accrued interest) and cash positions arising from option exercise at the original exercise price of the transaction

#### **4.6.5.5.4. Settlement of FX futures with physical delivery**

For the FX contracts published by the BSE with physical settlement, the BSE futures that are not closed until the end of the last trade day of the expiry can be settled with physical delivery only.

On the last trade day of the expiry, the BSE futures are settled based on the expiry delivery settlement price published by the BSE. The last day of the settlement cycle is the settlement day after the last trade day (T+1).

After the daily clearing, based on all the positions of the Clearing Member open for delivery, including own and omnibus principal account positions, KELER CCP determines, by foreign currency, the quantity, counter value of the Clearing Member net, one direction own and net, one direction omnibus principal positions and notifies the Clearing Member thereon.

By taking into account the quantity stated in the contract list, the Clearing Member with sell position determined by currency and in line with segregation is required to provide the necessary foreign currency cover in its FX account kept by KELER until 8:50.

The Clearing Member with buy position determined by currency and in line with segregation is

required to provide the counter value of the quantity it is required to receive in the foreign currency accounts kept by KELER until 8:50.

Once the financial cover for settlement is collected, KELER posts the necessary debit and credit entries in the KELER CCP technical foreign currency account and the Clearing Member foreign currency account. The credit entry posted in the account is final and irrevocable.

#### **4.6.5.5.5. Physical settlement in the Commodities Section**

##### **4.6.5.5.5.1. General provisions**

After stock exchange settlement KELER CCP will notify Clearing Members concerned on the futures transactions outstanding after the expiration date defined in the Product List of the BSE for the relevant contract.

The notification shall contain the month of delivery, the description of the commodities to be delivered, settlement price, quantity of the product to be delivered (expressed in contracts) as well as the purchase price cover. At the same time KELER CCP will send the list containing the open positions to the BSE and publish them in its Official Journal.

The notification is of binding effect for all Clearing Members.

Physical fulfilment for products traded in the commodities sections can be realized in the following three ways:

- in case of products where the BSE regulations allow fulfilment with a warehouse warrant, with warehouse warrant by drawing in two delivery rounds,
- in case of products where the BSE regulations allow fulfilment with warehouse warrant only, with warehouse warrant, by drawing in one delivery round,
- in case of other products traded in the commodities section, by physical delivery of commodities based on drawing in one delivery round.

KELER CCP will guarantee the physical fulfilment in the commodities section, in form of warehouse warrant, only in the event that the seller or the warehouse commissioned by the seller submits the warehouse warrant to KELER CCP within the stipulated deadline and in the required way

The issuer of the warehouse warrant can only be a warehouse jointly accepted by the BSE and KELER CCP. KELER CCP is obliged to publish the acceptance conditions of warehouse warrants in the Terms and Conditions on Acceptance of warehouse warrants.

If the buying Clearing Member declares until 12:00 hrs. on T+1 that it is subject to reverse charge VAT pursuant to Section 142 (1) of the VAT Law, KELER CCP informs the selling Clearing Member of this fact based on the written declaration of the buyer, the selling Clearing Member issues the invoice without VAT. The buyer assumes full liability for the declaration

The buying Clearing Member is obliged to deposit the purchase price cover broken down by own and principal cover on KELER CCP's purchase price deposit account or on the own and principal purchase price deposit account of the Clearing Member kept with KELER.

If purchase price cover arrives to the purchase price deposit accounts without segregation, KELER CCP will transfer the surplus received in the inappropriate account to the own or the principal account of free purpose of the Clearing Member maintained with KELER, by taking into account segregation, with notification to the buyer (the surplus of own purchase price deposit account to the bank account, the surplus of the principal purchase price deposit account to the principal account). KELER CCP will not notify the seller on the items transferred.



Purchase price cover can be provided only in the settlement currency determined for the relevant product in the Product List of the BSE.

After the cut-off time to receive purchase price cover KELER CCP will notify the BSE on buying Clearing Members who failed to deposit the purchase price cover required.

KELER CCP will not guarantee physical fulfilment for commodities traded in the commodities section for which the Regulations of the BSE does not require fulfilment with warehouse warrant.

The guarantee undertaking by KELER CCP – except for fulfilment with warehouse warrant – ceases to exist by the settlement of positions up to the settlement price at expiry.

Unless otherwise agreed, KELER CCP automatically cancels commodities futures transactions from among BSE futures transactions after forty five (45) days.

Legal remedy relating to fulfilment between the Clearing Members or their principals can be requested from the Permanent Arbitration Court of Money and Capital Markets at the Budapest Stock Exchange

#### **4.6.5.5.2. Fulfilment with warehouse warrant (delivery drawing in two rounds)**

Prior to the last trading day, the seller (depositor of warehouse warrant) is obliged to inform the warehouse on the fact that it has a sell position in the commodities section that it wishes to fulfil with warehouse warrant. The seller is obliged to pay the expenses that arose to the warehouse as well as to arrange that the warehouse:

- qualifies the commodities warehoused and shows it on the warehouse warrant,
- exchanges the original warehouse warrant into basic quantities according to the stock exchange contract.

On the basis of notification sent by KELER CCP the seller or the bank acting on its behalf shall submit the warehouse warrants unencumbered and being in conformity with the conditions specified in the Terms and Conditions on Acceptance of warehouse warrant, in a quantity outstanding at the relevant expiration, for safekeeping, in respect of the outstanding BSE futures transactions by 12:00 hrs. of the second clearing day after expiration (T+2). KELER CCP shall accept warehouse warrants with blank endorsement only.

The warehouse warrant shall contain the remark „Eligible for stock exchange fulfilment” at the description of the commodities, with this the warehouse issuing the warehouse warrant guarantees that the warehoused commodities are in conformity with the stock exchange standards in respect of both quantity and quality and that the seller has no payment obligation towards the warehouse.

Deadline for receipt of the purchase price cover is 12:00 hrs. on the second clearing day (T+2) following the expiration

By 12:00 hours on T+2 day the buying Clearing Member is obliged to provide the purchase price cover (delivery contract quantity\*contract basic quantity\*T day delivery settlement price + VAT).

**First delivery round:** In the so-called „first delivery round” KELER CCP will draw/appoint the buyers obliged to take receipt of the warehouse warrants from among those who paid the purchase price cover. Delivery exchange of the obligations included in the matched warehouse warrant list composed in this way is not allowed. Based on the matched list of the first delivery round KELER CCP shall notify the buyers and sellers involved.

On the basis of notification the buyer is obliged to take receipt of the warehouse warrant at KELER CCP's seat between 14:00 hrs. on T+2 day and 16:00 hrs. on T+3 day, it cannot refuse to take receipt thereof.

On the basis of declaration by the Clearing Member to this effect KELER CCP will transfer the purchase price on T+2 day to the indicated account of the selling Clearing Member or its principal or the bank acting on its behalf.

With regard to the above facts, default is impossible in the first delivery round.

Release of the initial margin can be completed with the signature of the buyer and the seller and under a declaration of margin release submitted with endorsement of the warehouse issuing the warehouse warrant. Invoicing and settlement of the costs of transport is arranged directly between the buying and selling Clearing Member.

**Second delivery round:** Latest until 16:00 hrs. on T+2 day, in the so-called "second delivery round", KELER CCP will complete the drawing of the sellers and buyers that were not drawn in the drawing of the first delivery round. (Participation of a seller wishing to fulfil with a warehouse warrant in the second delivery round is only possible if the purchase price cover provided by the buyers within the indicated deadline in the first delivery round did not cover the counter value of all the deals with warehouse warrant.)

KELER CCP will send notification to the Clearing Members obliged to physical delivery and to take receipt of commodities in the KID system, the notification contains the month of delivery, the description of the commodities to be delivered, the settlement price, the quantity of the commodities to be delivered, the purchase price cover as well as the name, identification number, phone and fax number of the Clearing Member on the opposite side of the transaction. At the same time, KELER CCP will send the list containing delivery to the BSE and will publish it in its Official Journal.

The notification is of binding effect to all Clearing Members. The members drawn together in the second delivery round are entitled to exchange the deliveries among themselves with mutual agreement. Delivery can be exchanged until 24:00 hrs. of T+5 day, KELER CCP will not accept any announcement received after this deadline.

KELER CCP will notify the seller on receipt of the purchase price cover based on which the seller may initiate the physical delivery.

Until the close of the transaction KELER CCP will handle the initial margin as collateral for fulfilment according to the provisions herein stated.

KELER CCP cancels the open delivery positions (release of the initial margin) based on the instruction submitted by the buying and selling Clearing Members on KID or based on the submitted collateral release declaration signed by the Clearing Members. Invoicing and settlement of transport costs is arranged directly between the buying and selling Clearing Member.

The Clearing Member is obliged to confirm fulfilment of the transaction to KELER CCP at the latest within forty five days (T+45) after the date of expiry (T day). On the last clearing day of the month of delivery and on the 43rd day after T day, KELER CCP will call the attention of the Clearing Members to the fact they have a confirmation obligation until the 45th day.

Should confirmation of the fulfilment be not made within this period, KELER CCP considers the transaction is fulfilled, automatically cancels the transaction and remits the purchase price cover deposited to the bank and/or principal account of the buying Clearing Member kept with KELER.

An exception to the above procedure is the special agreement made by the Clearing Members that KELER CCP was advised of within the specified 45 days.

#### **4.6.5.5.3. Physical delivery of commodities (delivery drawing in one round)**

In respect of BSE futures transactions not closed by date of expiration determined for the relevant contract in the Product List of the BSE, KELER CCP is entitled to make a sales contract for direct physical delivery by random drawing among the members on T day in a way that the quantity of position cuts is as low as possible.

By the above procedure KELER CCP will match the selling and buying Clearing Members obliged to deliver and receive the commodities.

After the stock exchange settlement KELER CCP shall notify the Clearing Members concerned on the purchase and sale legal relationship established relating to the physical delivery.

The notification shall contain the month of delivery, the description of the commodities to be delivered, settlement price, quantity (expressed in contracts) as well as the name of the Clearing Member on the other side of the transaction. At the same time, KELER CCP will send the list containing the delivery to the BSE and publish it in its Official Journal.

The notification is of binding effect to all Clearing Members. By mutual agreement, the members are entitled to exchange the deliveries among each other. They are obliged to notify KELER CCP in writing on the exchange at the latest until 12:00 hrs. on the first clearing day (T+1) of the month of delivery. KELER CCP will not accept any notification received after this time.

Latest until 12:00 hrs. on the second clearing day following expiry (T+2), the buying Clearing Member is obliged to deposit the purchase price including VAT in own and principal breakdown on KELER CCP's purchase price deposit account or on the own and principal purchase price deposit sub-accounts of the Clearing Member kept with KELER.

If the purchase price cover is received in the purchase price deposit accounts without segregation, KELER CCP will transfer the surplus received in an inappropriate account to the freely disposable own or the principal account of the Clearing Member maintained with KELER, considering segregation, with notification to the buyer (the surplus of own purchase price deposit account to the bank account, the surplus of the principal purchase price deposit account to the principal account). KELER CCP will not notify the seller on the items transferred.

On T+2 day KELER CCP will notify the BSE on the buying Clearing Members who failed to provide the purchase price cover within the above deadline.

The Clearing Member is obliged to confirm fulfilment of the transaction to KELER CCP at the latest within forty five days (T+45) after the date of expiry (T day). On the last clearing day of the month of delivery and on the 43rd day after T day, KELER CCP will call the attention of the Clearing Members to the confirmation obligation until the 45th day.

Should confirmation of the fulfilment be not made within this period, KELER CCP considers the transaction is fulfilled, automatically cancels the transaction and remits the purchase price cover deposited to the bank and/or principal account of the buying Clearing Member kept with KELER.

An exception to the above procedure is the special agreement made by Clearing Members that KELER CCP was advised of within the specified 45 days.

#### **4.6.6. Option transaction**

#### **4.6.6.1. General provisions**

With a put or call option transaction the beneficiary of the option acquires a right but not an obligation from the obligor against an agreed price, the so-called option premium to future purchase or sale of the subject of the option at a price fixed previously at the time of purchase of the option, at the so-called exercise price.

The option premium is quoted by the BSE by option series.

The BSE shall determine and publish the characteristics, trading unit, expiries, first and last trading days of an option contract, the ticks of exercise prices, method of fulfilment, etc. in agreement with KELER CCP and publishes them prior to the trading of the option.

KELER CCP fulfils an option transaction with cash settlement, in case of securities with physical delivery or by concluding a BSE futures transaction.

#### **4.6.6.2. Termination of an option transaction**

##### **4.6.6.2.1. Closing of option position (liquidation)**

Until expiration of the option the beneficiary of the option can liquidate the position by selling an option of same series in the same amount. The obligor of the option can liquidate its position by purchase of an option of same series in the same amount.

Liquidation of transactions is made after registration of the position, with the cash settlement of the option premium.

If the Clearing Member makes a transaction on an account and in series related to which at least the equivalent amount of opposite position is not available on the relevant account and in the relevant series, KELER CCP will close the minimum common amount and the remaining contract amount shall be registered as an opening transaction.

##### **4.6.6.2.2. Exercising an option**

###### **4.6.6.2.2.1. General regulations**

The beneficiary of the option can enforce option rights only by exercising the option. KELER CCP assumes no liability for any damage or for any lost profit arising from exercising of option or from failure to do so.

Option exercises cannot be amended and withdrawn.

Exercise shall be made through in the KID system.

The latest deadline for receipt of the exercise notice for settlement on the relevant day is the closing time of trading. Exercise notices arriving after this time will be ignored by KELER CCP during the relevant day and later settlements also. Exercise cannot be retained; it must be repeated by the required deadline on the next day.

The exercise notice shall contain the following data:

- type of option (put – call)
- product
- expiration
- exercise price

- quantity to be exercised
- Clearing Member code
- position management account number
- date of exercise.

An American option can be exercised by the beneficiary on any trading day in the period between confirmation of the transaction by KELER CCP and expiration of the option. The beneficiary of a European option may do so only at expiration of the option. Exercise instructions for options open on the relevant stock exchange day can also be submitted to KELER CCP. If KELER CCP confirms these option transactions, they can be distributed at the same time and in the same way as the options already confirmed on the earlier stock exchange day.

#### **4.6.6.2.2.2. Fulfilment of exercised options with physical securities delivery**

In case of exercising option contracts to be fulfilled with physical delivery, KELER CCP opens the transaction for prompt physical fulfilment during the stock exchange day clearing at the fixed exercise price for the spot product on the account of the Clearing Member exercising the option and the Clearing Member appointed for fulfilment, subject to the series of the option, while it automatically cancels the option position from the option transactions of the Clearing Members concerned.

The settlement cycle of the option exercised starts on the clearing day following the exercise (T day).

Thereafter settlement will be made according to the provisions of this Chapter as well as the regulations relating to physical fulfilment.

If the securities concerned are subject to limitation of assignment or the option is for cash settlement, then the option will be performed with cash settlement.

#### **4.6.6.2.2.3. Fulfilment of the exercised option with cash settlement**

In case of exercising option contracts with cash settlement KELER CCP completes cash settlement during the stock exchange day clearing on the account of the Clearing Member exercising the option and the Clearing Member appointed for fulfilment, subject to the series of the option, and in the frame of the settlement of the daily variation margin it financially settles the difference between the exercise price of the option and the settlement price at expiration for the spot product of the option on the last trading day, on any other trading day the difference between the exercise price of the option and the closing price of the spot product of the option fixed by the BSE.

Simultaneously it automatically cancels the option position from the option transactions of the Clearing Members concerned.

#### **4.6.6.2.2.4. Fulfilment of an exercised option with BSE futures transaction**

During the stock exchange day clearing, depending upon the option series KELER CCP opens and registers the relevant transaction as a futures position opening at the fixed exercise price for the relevant futures product and expiry on the account of the Clearing Member exercising the option and the Clearing Member appointed for fulfilment, while it automatically cancels the option position from the option transactions of the Clearing Members concerned.

Thereafter clearing is made according to the regulation prevailing in the market of the futures product, by using elements of the guarantee system prevailing there.

#### **4.6.6.2.2.5. Suspension of exercise**

a) In case of option on securities

If trading in the option or the underlying product stops and/or if scarcity of offers related to the underlying product endangers physical fulfilment deriving from exercise, furthermore, in case of certain corporate actions KELER CCP based on consultation with the BSE may suspend the possibility of exercise as long as trading starts again or circumstances giving rise to suspension exist.

Based on consultation with the BSE KELER CCP has the right to define the date of expiration as the clearing day following the repeated start of trading and the termination of circumstances giving rise to suspension, in case of certain corporate actions to bring the date of expiration of certain instruments to a date preceding the original expiration.

b) In case of options on BSE futures transactions

If in the period preceding the expiration, in case of American options, the option trading or trading in the underlying product stops, KELER CCP, based on consultation with the BSE, may suspend the possibility of exercise as long as the trading starts again or the circumstances giving rise to suspension exist.

**4.6.6.2.2.6. Distribution of exercised options among obliged parties**

The fulfilling Clearing Member /principal is selected for each option exercised during the settlement at the end of the day by a method based on a random generation of numbers from among the Clearing Members having obligation in the series concerned. KELER CCP is entitled to distribute exercises also to Clearing Members/Non-clearing Members/principals who opened option obligation on the day of acceptance of the exercise. KELER CCP shall not allocate any exercise to the Clearing Member with outstanding obligation who made an option transaction on the relevant stock exchange day with the intention of closing position and KELER CCP accepted it.

KELER CCP will advise beneficiaries and obligors of the option distributed in the course of settlement of the relevant stock exchange day by confirming the transaction resulting from the option exercise.

The Clearing Members appointed for fulfilment of the option accept the appointment as binding for themselves.

**4.6.6.2.2.7. Selection of the Principal at the Clearing Member**

The Clearing Member cannot amend the exercises distributed by KELER CCP to Non-clearing Members/principals. The Clearing Member cannot allocate any exercises distributed to its own account to the account of its principals.

**4.6.6.2.3. Option expiry**

Without exercise KELER CCP will consider all options not exercised by expiration as refused and will cancel them from the position management accounts on the day of expiration within the settlement at the end of the day while crediting the collaterals collected on the accounts of the Clearing Member /principals concerned.

**4.6.6.3. Special rules on the settlement of an individual equities derivative contract**

In case of change in nominal value and dividend paid in shares, hereinafter: corporate action, for open futures transactions the Arbitration Board established by KELER CCP and the BSE will decide on change of the number, contract lot, contract price thereof as well as on physical delivery and the method of fulfilment of the contracts, or the method of fulfilment of contracts with physical delivery. In

case of corporate actions effecting open option transactions, the Arbitration Board will decide on the necessary amendment in the number of the positions, contract lots and exercise prices, on replacing physical delivery with cash settlement, on suspension of option exercise and on changing the expiration date of certain instruments to a date earlier than the original expiration.

#### **4.6.6.4. Amendment by changing the contract lot**

If the contract lot changes in the way and at the time provided for in the Regulations of the BSE as a result of a corporate action and simultaneously futures prices and in case of an option also the exercise price will be recalculated, KELER CCP will settle the open positions as follows:

- After the last trading day as previously announced by the BSE for the original contract KELER CCP will close the open contracts at the indicated settlement price,
- simultaneously, it will reopen the positions, as a new product, in the original amount but with the recalculated contract lot, in case of an option at exercise price and the ex-settlement price,
- thereafter daily clearing remains unchanged.

#### **4.6.6.5. Amendment by changing the amount of open contracts**

The amount of open contracts can only be amended if the number of the shares can be changed to an integral multiple of the original amount on the basis of recalculation made as a result of the corporate action or pursuant to the decision on change of the BSE.

In this case KELER CCP will recalculate the amount of contracts of open positions and the settlement price, in case of an option the exercise price with the multipliers indicated by the BSE as follows:

- after the last trading day as previously announced by the BSE, KELER CCP will close open contracts at the indicated settlement price,
- simultaneously, it reopens positions in the recalculated amount and at ex-settlement price,
- thereafter the daily clearing remains unchanged.

#### **4.6.7. Order of clearing**

##### **4.6.7.1. Continuous calculation of positions**

The transactions, breakdowns and allocations coming from the real time trading system amend the open positions registered on the position management accounts in real time.

The basis of the real time position management is the actual open interest at the end of the previous day. The transactions made on the relevant day change the balance of the position management accounts in the way (gross, net) indicated by the Clearing Member when opening the position management account.

In case of unallocated transactions, the transaction remains on a suspense (unallocated) account until an allocation arrives, or if no allocation is received until KELER CCP automatically transfers it to the own position account of the Clearing Member in the frame of the end of day clearing.

After registration of the transactions, it will get a registration number allowing identification which is the same as the identification number of the BSE and is used by KELER CCP when confirming the transaction. Thereafter, the position will be entered on the position management account instructed by the Clearing Member.

After registration of the transaction on the position account, it will lose its individual identification number, the positions opened for the instrument on the relevant position management account will be managed by KELER CCP on an aggregate basis, summarized by each buy and sell transaction.

The applications for position transfer, closing, delivery cancellation and option exercises for the open interest of the previous day will be processed within clearing at the end of the day. Until this time KELER CCP does not deal with the amendments of positions coming from the Clearing Member, it only checks the formal and content errors of the incoming instructions and informs Clearing Members thereon.

#### **4.6.7.2. Determining end-of-day open position**

The basis for determining the end-of-day position is the data of the allocated transaction transferred by the BSE.

After the end of option trading, KELER CCP completes processing of option positions for each position management account in the following sequence:

opening option positions in the morning of the relevant day,  
+ deals made on the relevant day  
+ received options on the relevant day  
- transferred options on the relevant day  
+/- option deals due to amendment  
**= Open option positions**

KELER CCP distributes exercised options for the open option positions.

The end-of-day actual open option interest is established as follows:

- gross open option positions determined for distribution of the options  
- exercised and distributed option positions  
- if there is an expiration, the options to be cancelled  
**= End-of-day open option positions**

KELER CCP will determine automatically the preliminary gross positions by position management account for futures positions by product/expiration in the following way:

opening futures positions in the morning of the relevant day,  
+ futures deals made on the relevant day  
+ futures positions accepted on the relevant day  
- futures positions transferred on the relevant day  
- transformation of futures positions to futures position with physical delivery on the date of expiration  
- delivery positions to be cancelled  
- cancellation of futures positions at the date of expiration  
+/- BSE futures deals due to amendment  
+ BSE futures transactions generated from exercised options  
**= gross open futures positions**

In case of BSE futures transactions, the Clearing Member has the possibility to announce through the KID system until a previously specified date the number of contracts to be closed together from the gross futures positions by accounts and expiries.

In case of failure to observe the cut-off time KELER CCP will consider the gross open futures positions as an end-of-day final open interest accepted by the Clearing Member. For the position



management accounts for which net position maintenance is stipulated, owing to automatic liquidation, KELER CCP shall not provide and does not require information on changes in the positions in this phase of clearing.

#### **4.6.8. End-of-day clearing**

##### **4.6.8.1. Condition and process of the end-of-day clearing**

The condition for starting the end-of-day clearing is determination of the end-of-day position volume by position management accounts both for the futures and the option positions. Furthermore, availability of the settlement price fixed by the BSE for each instrument and the additional data required for the evaluation of the option is necessary.

In the course of the end-of-day clearing, KELER CCP makes the following operations:

- position management accounts and the total market open interest,
- determination of the variation margin and premium to be settled of the derivative transactions,
- calculation of the collateral by position management accounts,
- tasks relating to exercise and cancellation of option,
- operations relating to the delivery.

Following the end-of-day clearing, KELER CCP will notify the Clearing Member in a stock exchange trading confirmation on the result of the operations performed.

##### **4.6.8.2. Settlement of the derivative variation margin**

The BSE sends a settlement price for each product/expiration with the end-of-day trading data. KELER CCP calculates the difference between the settlement price of the previous day and the settlement price of the relevant day on the positions recorded on the position management accounts of the Clearing Member within the end-of-day clearing.

If the settlement price of the relevant day is lower than the settlement price of the previous day, the Clearing Member suffers loss on its buy positions and realizes gains on the sell positions while if the settlement price of the relevant day is higher than the settlement price of the previous day, the Clearing Member gains profit on buy positions and suffers loss on sell positions.

The variation margins calculated in this way are modified by the premium of the purchased or sold options. The variation margin to be paid is increased by the option premium payable in relation to options bought and is decreased by the option premium received in relation to options sold.

Variation margin is calculated for the settlement currencies announced in the List of Contracts published by the BSE.

If the calculated variation margin is negative, KELER CCP debits the difference to the bank account of the Clearing Member and/or principals in the morning of T+1 day pursuant to the authorization provided by the Client based on these Rules, and if the variation margin is positive, KELER CCP credits it to the bank account of the Clearing Member and/or principal in the morning of T+1 day following the settlement.

The HUF variation margin of a credit institution will be credited or debited by KELER CCP to the bank account kept with the MNB through VIBER in the morning of T+1 day. Foreign exchange variation margins shall be settled uniformly for all Clearing Members on the foreign exchange account kept with KELER.

When crediting/debiting the variation margin, KELER CCP shall proceed by taking into consideration

account segregation.

#### **4.6.8.3. Daily clearing of option positions**

Clearing of the option positions shall be made as follows:

After initiation of the option deal, *the beneficiary of the option* pays the option premium for the option bought in the frame of financial settlement of the daily variation margin, irrespective of the fact if it opened a new beneficiary position or closed a former position by this measure.

In case of initiation of a new beneficiary position, thereafter the beneficiary of the option has no payment obligation in this respect till closing or expiration/exercise of the option.

As from opening the position, *the obligor of the option* has to meet collateral obligations determined by KELER CCP for open positions.

The amount of the option premium agreed upon for the transaction concerned and collected from the beneficiary will be credited by KELER CCP on the relevant bank account of the obliged Clearing Member in the frame of financial settlement of the daily variation margin, taking into consideration account segregation.

In case of an obliged party closing an open position, the obligor of the option has no obligation to provide collateral, the amount of the option premium agreed for the relevant transaction and collected from the beneficiary will be credited by KELER CCP on the relevant bank account of the obliged Clearing Member in the frame of financial settlement of the daily variation margin, with observation of the segregation.

#### **4.6.8.4. Comprehensive daily clearing**

If the variation margin cannot be settled financially, KELER CCP declares default. In the interest of comprehensive daily clearing, KELER CCP is entitled to use the balance of segregated accounts and sub-accounts of the Clearing Member. In case of derivative transaction with settlement in foreign exchange first KELER CCP will have recourse to the Liquidity FX Security Deposit (LiDÓ) of the Clearing Member concerned.

Once the balance of clearing member accounts, sub-accounts are used and balances are insufficient, KELER CCP takes immediate measures to sell collaterals deposited in securities and uses sales proceeds to adjust the variation margin shortage.

## **V. Services provided by KELER CCP in the gas market and the energy market**

### **5.1. Gas market services**

#### **5.1.1. General provisions**

KELER CCP provides clearing services related to the gas market to Clearing Members entitled to gas market clearing only.

The provisions of Point 4.1. of these Rules are applicable to the general provisions of gas market transaction clearing with the following deviations.

By concluding the service agreement the gas market Clearing Member mandates and authorizes KELER as a credit institution keeping its account to execute debit order(s) against the bank account of the gas market Clearing Member kept by KELER, submitted by or on behalf of KELER CCP, beneficiaries of the TP KGA, CEEGEX KGA to the credit of the bank account of the beneficiaries.

In case of default KELER CCP takes the herein stated measures on financial default if the gas market Clearing Member fails to meet its financial obligation in time.

The obligation of the gas market Clearing Member to provide collateral, such as financial collateral, additional financial collateral, default fund, turnover margin, initial margin, supplementary collateral that are contained in clearing notices or calls sent by KELER CCP is to be met by 8:30 hrs. on clearing days in the TP market, by 8:15 hrs. on clearing days in the CEEGEX market.

Until 13:00 hrs. on the settlement day the gas market Clearing Member is obliged to meet purchase price financial obligations arising from gas market transactions in the account kept by KELER.

The purchase price related to gas market transactions is determined and the purchase price invoice is issued on a gross basis, with the prevailing VAT included in the case of domestic gas market Clearing Members, on a net basis in the case of foreign gas market Clearing Members.

The foreign gas market Clearing Member is required to declare and pay VAT in line with the tax rules of its own country.

#### **5.1.2. Guaranteed gas market transactions and related segregation**

Related to gas market transactions guaranteed by KELER CCP gas market Clearing Members have a legal relationship not with one another but with KELER CCP. By confirming the gas market transaction KELER CCP becomes an obligor and a beneficiary to both gas market Clearing Members involved in the transaction regarding the settlement of the transaction. The condition of making a guaranteed gas market transaction, except for imbalance transaction, is confirmation by KELER CCP, from the time of this confirmation the guarantee undertaken by KELER CCP takes effect. Imbalance transactions concluded on the TP market are guaranteed from the time of KELER CCP making the transaction. In case of spot CEEGEX transaction arising from the termination of the physical futures CEEGEX transaction in line with Point 5.1.3. of these Rules and in case of physical futures open position guarantee undertaking by KELER CCP takes force from the time of making the transaction by KELER CCP.

In the interest of fulfilment of the guaranteed gas market transactions KELER CCP operates a clearing membership and guarantee system. These Rules define detailed rules of the clearing membership and guarantee system.

In the case of gas market transactions positions are registered and confirmed and transactions are

cleared exclusively at the Clearing Member own level.

### **5.1.3. Providing and receiving gas market data**

In line with the deadlines and methods defined in the cooperation agreement for the TP market FGSZ, for the CEEGEX market CEEGEX provides data necessary for clearing to KELER CCP. FGSZ and CEEGEX are liable for the data provided.

Transaction data in the CEEGEX market can be received real time and in aggregate after the close of trading, while transaction data in the TP market is received in aggregate only.

In accordance with the cooperation agreements if data is provided late without actionable conduct by KELER CCP, KELER CCP does not guarantee completion of settlement for the day concerned.

Transaction data provided cannot be modified subsequently by the Clearing Member, KELER CCP accepts request on trade data modification from FGSZ and CEEGEX only and is not obliged to accept modification request once clearing is started.

Spot or physical futures market transactions sent by CEEGEX as cancelled after the close of market are not considered received transactions. Spot market CEEGEX transactions become validated and received transactions after the CEEGEX position limit is checked. The transaction exceeding the CEEGEX position limit is not considered received; consequently the unreceived transaction will be cancelled with respect to both counterparties. KELER CCP does not send nomination advice to FGSZ on unreceived transactions.

KELER CCP does not take into account modifications received after the start of clearing. Eventual corrections are subject to procedure to be consulted by FGSZ and CEEGEX.

Data of transactions transferred can be corrected subsequently as correction. In accordance with the provisions of the cooperation agreement KELER CCP accepts gas market trading data with the content stated in the agreement. The transaction is considered received in the gas market if:

- the transaction contains correct data in terms of format,
- data provided include an appropriate gas day in respect of clearing,
- the gas market Clearing Member involved in the transactions provided have clearing right, except for transactions (sell and imbalance transaction) in the TP market defined in Point 3.4.2.3. of these Rules (sell and imbalance transactions).

Additional condition of being considered received at the CEEGEX market:

- transaction is validated in terms of position limit.

In accordance with the cooperation agreements KELER CCP will refuse to accept data if either of the above conditions is not complied with, mistaken or missing.

Once imbalance data are received, KELER CCP makes the imbalance transaction. From the time of creation by KELER CCP the imbalance transaction becomes received.

If the clearing right of the TP Clearing Member is suspended, KELER CCP will create an imbalance transaction between the TP Clearing Member and KELER CCP as long as the clearing right of the TP Clearing Member is terminated.

If KELER CCP terminates the clearing right of the TP Clearing Member but the TP Clearing Member concerned is obliged to participate in imbalance transactions in line with gas market regulations, KELER CCP makes the imbalance transaction between FGSZ and KELER CCP instead of the TP Clearing Member with terminated clearing right. In this case FGSZ is obliged to honor obligations related to the fulfilment of the transaction

#### **5.1.3.1. Breaking down physical futures CEEGEX transaction at expiry, creation of new**

## **positions**

In case of physical futures contract for break down stated in the CEEGEX Market Rules KELER CCP breaks down positions left open on the last trading day into positions in line with the contract specification.

Positions left open on the last trading day of weekly contracts will be broken down into spot positions based on the number of days and hours corresponding to the expiry, related financial fulfilment is in line with Point 5.1.5.2. The purchase price of spot CEEGEX transactions created as a result of the break down is determined based on the settlement price of the weekly contract upon expiry for the entire delivery period on a gross basis including the valid VAT in the case of domestic CEEGEX Clearing Member, on a net basis in the case of foreign CEEGEX Clearing Member.

Positions left open on the last trading day of monthly contracts will be broken down into spot positions based on the number of days and hours corresponding to the month of expiry, related financial fulfilment is in line with Point 5.1.5.2. The purchase price of spot CEEGEX transactions created as a result of breakdown is determined based on the settlement price of the monthly contract upon expiry for the entire delivery period on a gross basis including the valid VAT in the case of domestic CEEGEX Clearing Member, on a net basis in the case of foreign CEEGEX Clearing Member.

Contracts with quarterly expiry are broken down into 3 months corresponding to the quarter. Newly created monthly contracts are opened at the settlement price of the appropriate monthly contracts, valid on the expiry day of the quarterly contract.

Contracts with annual expiry are broken down into 3 months and 3 quarters corresponding to the year. Newly created monthly contracts are opened at the settlement price of the appropriate monthly and quarterly contracts valid on the expiry date of the annual contract.

KELER CCP determines the variation margin of quarterly and annual positions left open on the day of breakdown in two steps:

- by determining the difference between the settlement price of the contract upon expiry and the settlement price of the previous day,
- by determining the difference between the technical trade price of the open positions newly created at the settlement price upon expiry of the original contract and the settlement price of the appropriate contract on the day concerned (allocating to market).

### **5.1.4. Collateral verification**

Gas market Clearing Members are obliged to provide collateral (default fund, basic financial collateral, additional financial collateral, turnover margin, initial margin, supplementary collateral) until 8:30 hrs. on the TP market, until 8:15 hrs. on the CEEGEX market on clearing days.

Gas market Clearing Members are obliged to provide collateral – in the TP market (turnover margin and TP KGA), in the CEEGEX market (CEEGEX KGA) - arising from monthly collateral calculation until the time stated in the previous paragraph on the second clearing day after the last gas day clearing of the month.

Failure to provide collateral in time results in suspension of the clearing right of the gas market Clearing Member.

Collateral assets are to be provided in the own HUF collateral account, in securities account in favor of KELER CCP, with blocking for TP, CEEGEX title, in the own foreign currency account in favor of KELER CCP, with blocking for TP, CEEGEX title or in the form of bank guarantee.

KELER CCP accepts bank guarantees [solely](#) from non-financial clients [and for markets where only non-financial products are traded](#).

The daily clearing report informs the gas market Clearing Member after the end of the gas day on collateral need/obligation.

On clearing days gas market Clearing Members are entitled to release assets provided as collateral to gas market trading up to the prevailing free balance.

Prevailing collateral data is continuously available for gas market Clearing Members in the KID system.

### **5.1.5. Gas market clearing and settlement**

#### **5.1.5.1. Daily clearing and monthly settlement at the TP market**

KELER CCP provides the following main services:

- receipt of trading data from FGSZ, format checking,
- confirmation of trading data,
- receipt of imbalance data,
- management of imbalance transactions,
- end-of-day clearing,
- defining and forwarding to FGSZ limit coverage data of gas market Clearing Members entitled to trade,
- end-of-month and correction monthly settlement,
- preparation of reports.

##### **5.1.5.1.1. End-of-day clearing**

Based on data received KELER CCP completes the clearing of TP transactions for each gas day. KELER CCP sends an advice to TP Clearing Members and FGSZ on the result of the clearing, that is information on transactions received, the value thereof, the netted financial position arising as a result of transactions and obligations.

If the transaction is in line with all criteria, the transaction is considered received. KELER CCP sends electronic confirmation on the receipt to TP Clearing Members. KELER CCP keeps positions on a gross basis.

The imbalance procedure closing the gas day is completed as follows:

- KELER CCP receives the daily imbalance gas settlement prices (separately for net one direction sell position with excess and net one direction buy position with shortage) from FGSZ.
- KELER CCP receives from FGSZ daily usage of imbalance gas quantities by TP Clearing Members that are necessary to calculate the imbalance positions.
- In line with the formula defined in the section entitled Clearing of commercial imbalances of FGSZ TP Rules KELER CCP calculates the balance quantities by TP Clearing Members and creates the special imbalance transactions to manage them. Once the received balance quantities are netted KELER CCP settles the remaining quantities between KELER CCP and FGSZ.
- KELER CCP is always counterparty to imbalance transactions. The trade price of the transaction equals the balance gas settlement price received from FGSZ in line with the net one direction position. These special transactions are confirmed in the daily clearing report.

During the end-of-day clearing collateral requirements, financial results related to the cleared gas day, monthly cumulated financial results and turnover fees are calculated.

Limit coverage of TP Clearing Members entitled to trade are defined in line with the provisions herein stated. If limit coverage is changed, limit coverage data is forwarded to FGSZ.

KELER CCP maintains and collects the financial positions of TP Clearing Members arising from gas market transactions. TP Clearing Members are advised on daily and monthly cumulated financial results, collateral requirements also in the daily clearing report.

The gas day clearing report prepared by KELER CCP can be accessed by TP Clearing Members on the IT Platform of TP and in KID.

#### **5.1.5.1.2. Settlement of the monthly preliminary financial result**

Following the close of the gas month, KELER CCP prepares the preliminary monthly clearing report of TP Clearing Members to advise them on preliminary monthly financial results. Based on the preliminary monthly clearing report the preliminary purchase price invoice is issued. Preliminary monthly financial results are settled on the 5th day after the monthly clearing (if it is a non-business day, on the first clearing day thereafter) following the gas day clearing.

The settlement of the monthly preliminary financial result is completed on a netted basis, based on the compensation minutes prepared by KELER CCP and sent to the TP Clearing Member. The compensation minutes are prepared based on the monthly preliminary purchase price invoices by TP Clearing Member.

Financial settlement is completed in the bank account kept by KELER based on the compensation minutes, regardless of complaints and later corrections.

The monthly preliminary purchase price invoice is issued on a gross basis with VAT at the prevailing rate included in the case of domestic TP Clearing Member, on a net basis in the case of foreign TP Clearing Member.

#### **5.1.5.1.3. Settlement of monthly corrected financial result**

The gas month is closed based on the monthly corrected measured data sent by FGSZ. Based on the monthly corrected data received from FGSZ KELER CCP prepares the monthly corrected clearing report and based on data provided by FGSZ KELER CCP distributes amongst TP Clearing Members the result from FGSZ balance natural gas turnover (distribution of results). Based on the monthly corrected clearing report the monthly corrected purchase price invoice is issued. The financial settlement of the monthly corrected financial result is completed on the 15<sup>th</sup> day following the monthly corrected clearing (if this is a non-business day, on the first clearing day thereafter), following the gas day clearing.

The financial settlement of the financial result is completed on a netted basis, based on the compensation minutes prepared by KELER CCP and sent to the TP Clearing Member. The compensation minutes are prepared based on monthly corrected purchase price invoices by TP Clearing Members.

Financial settlement is completed in the bank account kept by KELER, based on the compensation minutes.

The monthly corrected purchase price invoice is issued on a gross basis with VAT at the prevailing rate included in the case of domestic TP Clearing Member, on a net basis in the case of foreign TP Clearing Member.



#### **5.1.5.1.3.1. Correctional settlement of the closed gas month**

In line with Point 5.1.5.1.3. of these Rules only FGSZ is entitled to request correctional settlement from KELER CCP for the gas month closed, KELER CCP is required to complete it in line with the provisions of the TP Rules, for the consideration separately agreed.

The correctional settlement for the gas month closed is completed in line with the provisions of the separate agreement.

KELER CCP does not guarantee the gas transaction involved in the correctional settlement of the gas month closed.

#### **5.1.5.2. Daily clearing and settlement in the CEEGEX market**

KELER CCP completes the following operation in the framework of clearing:

- receipt of trading data from CEEGEX, format, content and limit checking,
- confirmation of trading data,
- determination of position management accounts and total market open interest,
- determination of spot CEEGEX market purchase price payment obligation,
- determination of variation margin of physical futures transactions,
- collateral calculation by position management account,
- operations related to breaking down physical futures CEEGEX transactions,
- preparation of clearing reports,
- nomination to FGSZ,
- monthly fungible invoicing.

##### **5.1.5.2.1. End of day clearing and nomination**

Based on intraday real time processing and batch processing at end of day KELER CCP clears CEEGEX transactions for gas days. KELER CCP sends advice to CEEGEX Clearing Members on the result of the clearing, that is on transactions received, their values and the net financial position and obligations arising from the transactions that are to be met.

If the transaction is in line with all criteria, the transaction is considered received. KELER CCP sends electronic confirmation on the receipt to CEEGEX Clearing Members. KELER CCP keeps spot positions on a gross basis, futures positions are kept on a net basis.

During end of day clearing collateral variation margins, collateral needs, financial results for gas days cleared and turnover fees will be calculated.

Gas day clearing reports prepared by KELER CCP can be accessed by CEEGEX Clearing Members in electronic letters and/or in the KID system.

KELER CCP, on behalf of CEEGEX, sends nomination message to the IT system of FGSZ. The nomination message contains CEEGEX net one sided delivery / receipt quantities by Clearing Members and gas days, in line with the Cooperation Agreement executed by the Parties.

##### **5.1.5.2.2. Daily financial result calculation**

During financial settlement KELER CCP determines settlement day total net financial position based on aggregate financial receivables / payables (spot market gross purchase price, physical futures market open position variation margin and physical futures transactions gross purchase price at

delivery) by CEEGEX Clearing Members and gas days. Cut-off time: 8:15 hrs. on the first clearing day after daily clearing.

KELER CCP takes the funds required to meet daily financially netted purchase price and variation margin settlement by initiating a high priority debit item against the own HUF settlement bank account of the CEEGEX Clearing Member and credit to KELER CCP's CEEGEX market purchase price technical bank account.

Credit items are financial settled in the own HUF settlement bank account of the CEEGEX Clearing Member kept by KELER.

The spot market purchase price is determined on a gross basis with VAT at the prevailing rate included in the case of domestic CEEGEX Clearing Member, on a net basis in the case of foreign CEEGEX Clearing Member.

Failure by the CEEGEX Clearing Member to fully comply with net financial obligations determined based on daily clearing reports at the time stated in these Rules is considered default.

#### **5.1.6. General rules on purchase price invoicing**

KELER is authorized by KELER CCP to undertake tasks related to purchase price invoicing. The gas market Clearing Member is required to execute an agency agreement with KELER CCP on the issuance of invoices related to gas market transactions on behalf of the Clearing Member by KELER CCP as agent, where KELER acts as the intermediary of KELER CCP.

KELER completes end of month closing related to gas market transactions monthly.

The TP Clearing Member can access the monthly preliminary clearing report and the monthly corrected clearing report for the gas month concerned at the IT platform of TP and in KID.

KELER issues invoices to the gas market Clearing Member, following the end of the month, on a fungible basis, on behalf of both parties. KELER prepares compensation minutes for the gas market Clearing Member subsequently, at the end of the month closing and sends it with invoices to the gas market Clearing Member.

#### **5.1.7. Defaults and related compulsory provisions**

Cases defined in these Rules are considered default.

In all cases KELER CCP makes a decision on the compulsory provisions to be applied for defaults in line with the provisions of these Rules.

In case of default KELER CCP is entitled to sell securities collateral immediately and use guarantee elements. The order of using guarantee elements is defined in these Rules.

In case of compulsory sale at its discretion KELER CCP is entitled to sell any of the securities owned by the gas market Clearing Member that are collateral for the defaulted transactions of the gas market Clearing Member.

KELER CCP suspends the clearing right of the gas market Clearing Member in the cases herein defined.

KELER CCP informs the gas market Clearing Member, FGSZ, CEEGEX and the appropriate

authorities as required on the suspension and the termination of suspension of the clearing right.

Following the advice on suspension gas market transactions concluded by the gas market Clearing Member with clearing rights suspended by KELER CCP can make transactions to decrease positions for the period of suspension and can take imbalance position in the TP market.

#### **5.1.8. Financial default**

If the gas market Clearing Member fails to meet the obligation to pay purchase price, corrected purchase price, net financial obligation and to provide collateral at the due date, KELER CCP is entitled to collect from the defaulting gas market Clearing Member the late fee and default basic fee as defined in the Fee Schedule.

With respect to the management of financial default by gas market Clearing Members KELER CCP acts in line with the provisions of Point 7.3.5. of these Rules, in accordance with the rules on multinet settlements.

#### **5.1.9. Late fee**

In case of default KELER CCP charges a one time late fee to the defaulting gas market Clearing Member that is payable based on the fee invoice issued for the month concerned

#### **5.1.10. Default basic fee**

In the case of default beyond the due date, in addition to the late fee KELER CCP collects from the defaulting gas market Clearing Member default basic fee in the amount defined in the Fee Schedule. The default basic fee is shared equally by the default fund concerned and KELER CCP. KELER CCP takes measures within 3 clearing days to collect the part due to the default fund. The gas market Clearing Member is required to pay the fee due to KELER CCP based on the fee invoice for the subject month.

### **5.2. Energy market services**

#### **5.2.1. General provisions**

By concluding the energy market service agreement, the energy market Non-clearing Member, with the exception of the energy market Non-clearing Member registered in Serbia, mandates and authorizes KELER as a credit institution keeping its account to execute debit order(s) against the bank account of the energy market Non-clearing Member kept by KELER, submitted on behalf of KELER CCP in favor of the bank account of the beneficiaries. The energy market Non-clearing Member registered in Serbia mandates and authorizes the energy market settlement agent, as its account management credit institution, to execute the debit order(s) submitted on behalf of KELER CCP against the bank account it keeps, in favor of the bank accounts of the beneficiaries.

With respect to energy market clearing collateral, purchase price and variation margin herein stated required for transaction performance are recorded in a segregated manner, that is financial instruments and funds owned by energy market Non-clearing Members are segregated from each other and from the assets of the clearing house and the assets of KELER CCP in the records, in line with the provisions of Section 346 (2) and 347 (1) of Tpt. Accordingly collateral provision is completed in line with Point 5.2.5. The requirements of segregation are met with respect to the energy market settlement agent also.

In case of default KELER CCP takes the measures stated in the part of the present Rules applicable

to financial default should the energy market Non-clearing Member fail to meet financial obligations in time.

The obligation of the energy market Non-clearing Member to provide collateral, that is basic financial collateral, additional financial collateral, variation margin, energy market initial margin, energy market turnover margin, supplementary collateral that are contained in clearing notices or calls sent by KELER CCP is to be met by 10:00 hrs. on clearing days.

#### **5.2.2. Energy market obligation, segregation**

For energy market transactions concluded by the energy market Non-clearing Member KELER CCP undertakes obligation if the transaction is accepted by ECC.

In the case of energy market transactions positions are registered and confirmed and transactions are cleared exclusively at the Non-clearing Member own level.

#### **5.2.3. Daily clearing**

Based on data received from ECC, KELER CCP completes daily clearing of energy market transactions for each day, defines the amount of collateral to be provided by energy market Non-clearing Members and it sends reports prepared based on data provided by ECC to energy market Non-clearing Members. KELER CCP registers transactions in a gross manner; financial positions arising as a result of transactions are kept net. KELER CCP sends advice to energy market Non-clearing Members on financial settlement obligations and collateral requirements.

#### **5.2.4. Financial settlement in the energy market**

The energy market Non-clearing Member is obliged to meet the net purchase price and variation margin financial position on T day as a result of daily clearing in accordance with the provisions of the applicable Announcement. The deadline to meet this obligation is 10:00 hrs. on the first clearing day following T day.

KELER or the energy market settlement agent takes the funds required for daily net purchase price and variation margin settlement from the own foreign currency settlement bank account of the energy market Non-clearing Member, with a high priority debit transaction and credits the funds to the energy market purchase price technical bank account of KELER CCP.

Financial settlement is completed on the own foreign currency settlement bank accounts of energy market Non-clearing Members kept by KELER or the energy market settlement agent.

#### **5.2.5. Energy market collateral verification**

The energy market Non-clearing Member is obliged to meet T day collateral requirement resulting from daily clearing in line with the provisions of the applicable Announcement. The deadline to meet this requirement is 10:00 hrs. on the first clearing day following T day.

KELER CCP initiates a high priority debit item to acquire the funds required for daily collateral settlement (collateral amount to be forwarded to ECC) from the own foreign currency settlement bank account of the energy market Non-clearing Member and credits the funds to the energy market collateral technical bank account of KELER CCP.

Collateral settlement is completed in the own foreign currency settlement bank account of the energy market Non-clearing Member kept by KELER or the energy market settlement agent

With the exception of the energy market Non-clearing Member registered in Serbia, collateral required in addition to the collateral amount to be forwarded to ECC can be provided by blocking the required amount in the own foreign currency account of the energy market Non-clearing Member in favor of KELER CCP, with energy market title, by providing the amount in its own HUF collateral account, in its securities account by blocking in favor of KELER CCP, with energy market title or by offering a bank guarantee. KELER CCP accepts bank guarantees [solely](#) from non-financial clients [and on markets where only non-financial products are traded](#). In the case of the energy market Non-clearing Member registered in Serbia, the collateral requirement in addition to the collateral amount to be forwarded to the ECC shall be met by debiting the Non-clearing Member own foreign currency settlement bank account.

On clearing days energy market Non-clearing Members are entitled to release free collateral instruments up to the free balance and to freely use them.

Information on the value at which collateral assets provided are accepted is available to energy market Non-clearing Members in the KID system.

#### **5.2.6. Collateral default**

If the obligation to provide collateral in time is not met KELER CCP will take measures in line with the rules on financial default.

#### **5.2.7. Financial default**

If the energy market Non-clearing Member fails to pay the net purchase price and variation margin until the applicable deadline (default), KELER CCP is entitled to sell immediately collateral securities provided and use the guarantee elements.

The order of using guarantee elements is defined in these Rules.

#### **5.2.8. Late fee**

In case of default KELER CCP charges a one time late fee stated in the Fee Schedule to the defaulting energy market Non-clearing Member that is payable by the energy market Non-clearing Member based on the fee invoice issued for the subject month.

#### **5.2.9. Default basic fee**

In the case of default beyond the due date, in addition to the late fee KELER CCP charges the amount of default basic fee stated in the Fee Schedule to the defaulting energy market Non-clearing Member that is payable by the energy market Non-clearing Member based on the fee invoice issued for the subject month.

## **VI. KELER CCP's guarantee system in the guaranteed markets**

### **6.1. General Provisions**

Pursuant to authorization by the Tpt. KELER CCP establishes and operates a Guarantee System for ensuring settlement of the guaranteed regulated market transactions and guaranteed gas market transactions.

In order to limit its credit exposures KELER CCP imposes, calls and collects margins from the Clearing Members. Such margins must be sufficient to cover potential exposures that KELER CCP estimates will occur until the liquidation of the relevant positions. The initial margin and the turnover margin must be sufficient to cover at least 99% of the exposures movements over an appropriate time horizon. KELER CCP fully collateralizes its exposures with all its Clearing Members at least on a daily basis, including all individual and collective collateral elements provided by the Clearing Members. KELER CCP regularly monitors and, if necessary, revises the level of its margins to reflect current market conditions taking into account any potentially procyclical effects of such revisions.

For safeguarding the settlement of the guaranteed regulated market transactions and guaranteed gas market transactions, the Clearing Member is obliged to create the collaterals, collaterals provided for in this Chapter according to the requirements of KELER CCP. Collaterals, collaterals made by the Clearing Member are bail for KELER CCP. In case of default by the Clearing Member KELER CCP can directly satisfy its claims originating from the settlement of guaranteed regulated market transactions and guaranteed gas market transactions.

Based on agreements concluded with KELER CCP, KELER is in charge of registering collaterals provided.

KELER CCP determines the requirements for the collateral to be provided by each Clearing Member as sum of the following types of collaterals:

- basic financial collateral – for derivative, multinet and gas market clearing,
- LIDÓ – for derivative and multinet clearing,
- additional financial collateral – for derivative, multinet and gas market clearing,
- supplementary collateral– for derivative, multinet and gas market clearing,
- initial margin – for derivative, multinet and gas market clearing,
- turnover margin – for gas market clearing,
- variation margin, in case of multinet clearing ,
- individual contribution to the default funds – for derivative, multinet and gas market clearing.

The parameters and algorithm of calculation of collateral elements, except for additional financial collateral and supplementary collateral, are published by KELER CCP in an Announcement.

Collaterals may be provided in the form of liquid assets as follows:

- a) A security free from all encumbrances which is blocked from among the securities specified as acceptable in KELER CCP's publicly announced Terms and Conditions on Acceptance of Securities and Foreign Currencies, at the value laid down therein with KELER CCP as beneficiary.
- b) A HUF amount deposited on a bank account opened for providing collateral.
- c) A foreign currency amount deposited on a bank account opened for providing collateral.
- d) A bank guarantee in accordance with KELER CCP's Terms and Conditions on Acceptance of Bank Guarantee and submitted to KELER CCP. KELER CCP accepts bank guarantees solely from non-financial clients and on markets where only non-

[financial products are traded.](#)

- e) A HUF amount deposited on the default fund account kept by KELER.

KELER CCP introduces concentration limits for the collateral instruments provided to meet clearing member collateral requirements and the types of collateral instruments. KELER CCP publishes the actual values of concentration limits in its List of conditions on accepting securities and foreign exchange and the List of conditions on accepting bank guarantee collateral depending upon the collateral type. The limits can apply to individual issuer, issuer type, instrument type, individual Clearing Member and all Clearing Members also. For limit purposes all collateral instruments blocked as collateral in favor of KELER CCP are taken into account at the actual value of acceptance.

KELER CCP does not accept securities issued by the Clearing Member as collateral for the Clearing Member concerned or the legal person in the same group of companies.

KELER CCP accepts bank guarantees from non-financial contractual parties only; such guarantees are taken into account as the exposure of the Clearing Member towards the bank.

KELER CCP does not accept bank guarantees issued by one bank or by banks in the same group where the share of bank guarantees issued by the bank (group) concerned would exceed 10% of all individual collateral instruments registered. If the bank guarantee issued by one bank (group) exceeds 10% of all individual collateral instruments provided by the Clearing Members in favor of KELER CCP, KELER CCP takes into account all bank guarantees issued by the bank (group) concerned as collateral at the reduced value required to observe the limit.

The form of the collateral may be limited by KELER CCP by types of collateral:

- a) In case of a product with settlement in foreign currency, except for LiDÓ, KELER CCP determines the value of collateral in HUF.
- b) KELER CCP accepts bank guarantee [as for the fulfilment of](#) basic financial collateral, turnover margin, [and](#) supplementary collateral, ~~CEEEX initial margin or additional financial collateral.~~ KELER CCP accepts bank guarantees [solely](#) from non-financial clients [and on markets where](#) only [non-financial products are traded.](#)

For assessing foreign currency based collateral KELER CCP applies the MNB exchange rate prevailing on the value date concerned.

## **6.2. Order of providing Collateral**

Based on agreement concluded with KELER CCP KELER is in charge of registering collaterals.

These Rules contain the detailed order of providing collateral. Accordingly KELER CCP is responsible for the following tasks:

- decision making on suspending the clearing right,
- definition of acceptable instruments,
- definition of detailed condition of acceptance,
- definition of clearing member coverage.

## **6.3. Basic financial collateral**

For clearing of the guaranteed regulated market transactions and gas market transactions the Clearing Member has to provide basic financial collateral continuously.

The basic financial collateral is to cover the eventual losses of new positions not yet covered by collaterals.

Basic financial collateral can only be withdrawn in case of suspension of the clearing right for the relevant Section/range of transactions at the request of the Clearing Member concerned or in case of termination of the clearing membership.

The basic financial collateral must be deposited on the own account collateral sub-account together with the own account initial margins, turnover margin.

The value of the basic financial collateral is determined by KELER CCP for transactions with settlement on T+2 days by Sections, for derivative transaction by range of transactions and by Sections, for gas market transactions by markets.

If a Clearing Member has clearing right for several ranges of transactions, Sections, markets, KELER CCP will assess the payment obligation for the basic financial collateral in total, by simple aggregation of the financial collaterals determined for the relevant Section, range of transactions. KELER CCP will consider a partial fulfilment of it as default and will suspend the clearing right of the Clearing Member in all Sections/ ranges of transactions/markets.

The determination and any amendment of the basic financial collateral will be announced by KELER CCP in form of an Announcement published at least ten clearing days prior to the effective date.

#### **6.3.1. Liquidity FX Deposit (LiDÓ)**

Basic financial collateral of the ranges of transactions, Sections or markets which contain products with settlement in foreign currency as well may be supplemented with LiDÓ.

KELER CCP defines the amount of LiDÓ and publishes it in an Announcement. These Rules contain the rules on making and using LiDÓ.

Default or partial fulfilment of LiDÓ is considered by KELER CCP similarly to the basic financial collateral as default and the clearing right of the Clearing Member will be suspended in all ranges of transactions, Sections.

The determination and any amendment of LiDÓ will be announced by KELER CCP in form of an Announcement at least ten clearing days prior to the effective date.

#### **6.4. Additional financial collateral**

KELER CCP is entitled to impose additional financial collateral on a Clearing Member to cover Clearing Member, Non-clearing Member or principal risks in the cases specified in these Rules.

KELER CCP may stipulate payment of an additional financial collateral as own obligation or that of the Principals. KELER CCP may impose additional financial collateral for any derivative Position Management Account or group of accounts.

KELER CCP shall determine the amount of the additional financial collateral by the business day preceding the due date at the latest and it will notify the Clearing Member thereof.

Should the Clearing Member fail to meet the requirement to provide additional financial collateral, KELER CCP suspends the clearing right of the Clearing Member. Additionally, KELER CCP is entitled to terminate the clearing agreement concluded with the Clearing Member with a notice period of one clearing day.

#### **6.5. Supplementary collateral**



KELER CCP is entitled to impose supplementary collateral on a Clearing Member to cover Clearing Member, Non-clearing Member or principal risks in the cases specified in these Rules.

KELER CCP determines the amount of the supplementary collateral not later than the business day before settlement and will notify the Clearing Member thereof.

Should the Clearing Member fail to meet the requirement to provide supplementary collateral, KELER CCP suspends the clearing right of the Clearing Member. Additionally, KELER CCP is entitled to terminate the clearing agreement concluded with the Clearing Member with a notice period of one clearing day.

## **6.6. Initial margin**

KELER CCP determines initial margin for open positions of the guaranteed regulated market and the CEEGEX physical futures transactions.

KELER CCP will determine the extent of the initial margin by types of securities for multinet positions and by deals for derivative positions, occasionally to different degrees according to expiries.

Basis for calculation of the initial margin:

- a) in case of derivative positions the risk of open portfolio on the individual Position Management Accounts,
- b) for T+2 transactions 2 settlement days,
- c) in case of CEEGEX physical futures positions the risk of open portfolio at the position management account of the CEEGEX Clearing Member

based on open positions.

Any change in the value of the initial margin is applicable to all positions under settlement or opened already.

The initial margin requirement of transactions with multinet settlement is established in line with the principle of segregation.

In case of derivative transactions the initial margin calculation is completed at the Position Management Account level.

In case of transactions with multinet settlement intra-day collateral calculation is made following the multinet settlement of SD if multinet settlement is automatically completed until 12:00 hrs.

KELER CCP publishes in an Announcement the general risk uploading parameters of the SPAN® software on the clearing day preceding the effective date. In an exceptional case KELER CCP is entitled to order amendment by immediate effect.

### **6.6.1. Definition of covered positions**

In case of a securities sell transaction the Clearing Member has the right to block at KELER the security of the transaction concerned for the purpose of granting collateral, KELER will inform KELER CCP thereon.. The covered position reduces the obligation of the initial margin. In case of call position the preliminary deposit of the purchase price does not mean a covered position in respect of calculation of initial margin.

The securities blocked by the Clearing Member at KELER for the purpose of providing collateral with

respect to a net put position of T day are considered to be covered position.

## **6.7. Turnover margin**

Based on the turnover of guaranteed gas market transactions and imbalance transactions KELER CCP defines turnover margin.

KELER CCP publishes the algorithm of turnover margin calculation in an Announcement.

### **6.7.1. Turnover margin provision in the TP market**

Turnover margin with respect to TP Clearing Members is defined monthly, with regard to the turnover data of the previous period. The amount of turnover margin is defined as a percentage of the turnover of the period taken into account, with a minimum amount applied.

The basis of TP market turnover margin calculation:

- a) turnover of TP transactions in the gas month,
- b) turnover of imbalance transactions in the gas month.

The turnover margin for new TP Clearing Members without historical data is determined on the estimated turnover with the prevailing minimum amount taken into account.

Turnover margin is to be provided before the current clearing period based on past actual turnovers.

### **6.7.2. Turnover margin provision in the CEEGEX market**

Turnover margin with respect to CEEGEX Clearing Members is defined daily, taking into account a minimum value, with regard to daily financial gross purchase price data to be made available, related to the previous period.

KELER CCP publishes data, period, calculation algorithm and the prevailing minimum amount applied for turnover calculation in an Announcement.

## **6.8. Settlement of variation margin**

The variation margin of the first day is the difference between the contract price and the clearing price/closing price of T day. The variation margin of the subsequent days is the difference between the daily closing price / settlement price of the current day and the closing price / settlement price of the previous clearing day.

### **6.8.1. Settlement of variation margin in case of positions with multinet settlement**

In case of positions with multinet settlement if the calculated variation margin is negative then the Clearing Member has to provide collateral for the difference (variation margin).

### **6.8.2. Settlement of variation margin in case of derivative and CEEGEX physical futures positions**

In case of derivative and CEEGEX physical futures positions both the positive and negative variation margin will be settled by KELER CCP on the account maintained for the Clearing Member by settling the daily netted financial result.

## **6.9. Intra-day clearing**

In order to achieve its own risk management goals KELER CCP will calculate technical prices for all instruments with the use of data related to deals and offers received real time. The calculation of real time technical prices and the real time position management and assessment make it possible for KELER CCP to order an Intra-day clearing without stopping trading even in case of significant changes in price.

KELER CCP shall announce the ranges of price changes by products and expiries in Announcements. In case of a price change reaching or exceeding the range of price change defined KELER CCP will make Intra-day clearing during which it evaluates the open positions at the settlement price provided for the Intra-day clearing.

Ordering of Intra-day clearing is not automatic and obligatory; KELER CCP has the right to decide on ordering the clearing as well as on the scope of the clearing.

Should the shift of prices reaching at least two third of the range of price change occur in case of several products, the clearing may be ordered for several products or even for a whole product range or Section.

KELER CCP shall publish on KID and on its official website the time of ordering the clearing, the settlement prices belonging to the clearing as well as the scope of the clearing.

Verification of collateral of the negative variation margins calculated on the basis of the Intra-day clearing is made jointly on the securities blocked in initial margin accounts of the market concerned and on the margin accounts maintained by KELER, with observation of the principle of segregation, in the case of the derivate market on the LiDÓ blocked in the foreign currency account.

If the variation margin in foreign exchange calculated on the derivative market at the Intra-day clearing exceeds the amount of LiDÓ, KELER CCP calls on the Clearing Member to block the missing amount.

In case of multiple Intra-day clearing KELER CCP shall rearrange the variation margin always to the loss calculated on the basis of the last clearing.

KELER CCP will suspend the clearing right of the Clearing Member with uncovered position and will not approve taking any further open position on which it will advise KELER, BSE, EuroMTS, FGSZ and CEEGEX. The suspension can be abolished by blocking of further securities or foreign currency, i.e. by fulfilment of the obligation for creating collateral.

If the real-time connection between the BSE and KELER CCP, EuroMTS and KELER CCP and CEEGEX and KELER CCP does not exist or is not available and the change in market prices exceed the maximum price change, KELER CCP has the right to order Intra-day clearing based on prices and position information available to KELER CCP.

## **6.10. Default funds**

### **6.10.1. Purpose of the default funds, general regulations**

As an element of the guarantee system KELER CCP requires that collective guarantee funds (hereinafter: default funds) are established.

The purpose of the default fund is to reduce the risk arising from default or failure of settlement of the regulated market transactions, gas market transactions made by the Clearing Members among others.

The default funds established by KELER CCP and its Clearing Members have to enable KELER CCP to withstand, under extreme but plausible market conditions, the default of the Clearing Member to which it has the largest exposures or of the second and third largest Clearing Members, if the sum of their exposures is larger. In order to determine the size of the default fund KELER CCP develops scenarios of extreme but plausible market conditions. With the use of the scenarios developed KELER CCP completes daily stress test calculations and uses the results of these calculations in the creation and the checking of the adequacy of the default funds.

The default fund is a separated fund constituting joint ownership of the Clearing Members and KELER CCP (in respect of the default fund hereinafter: Members).

In the fund constituting joint ownership KELER CCP has a right of bail that KELER CCP is entitled to use without restrictions in case of inappropriate fulfilment by the Clearing Member.

The Clearing Member has to ensure that the collateral can be used at any time, amounts paid in the default funds cannot be claimed during the term of joint ownership except for the cases defined herein, it cannot be alienated and except for the right of bail regarding the default fund defined herein it cannot be encumbered and its use cannot be inhibited by any entitlements of third party (free and clear of all liens, claims and encumbrances).

If a creditor of any of the Members initiates execution for the portion of property of the co-proprietors in the default fund or a creditor acquires right for this portion of property in any other way, the third person may claim that the portion of property is surrendered in money; a creditor has no claim to any other title.

Through the default fund the Members assume joint and several liability for failures in settlement of the guaranteed regulated market transactions, gas market transactions only up to the amount deposited by them in the Fund and up to the payment obligation existing at the time of creation of the obligation against the default fund to an extent and in the cases when the fund can be used pursuant to these Rules.

The guarantee is applicable only for defaults.

Based on agreement concluded with KELER CCP the accounts of the default funds are kept by KELER. KELER keeps a record of the amounts deposited by Clearing Members on the account.

Up to the amount of the debt and on behalf of the default fund the account keeping institution of the default fund is entitled to collect the available funds of Clearing Members on their HUF accounts or debit through VIBER the bank account of the credit institution Clearing Member kept with the MNB. KELER CCP transfers back to the bank account of the beneficiary Clearing Member the contribution amount exceeding the calculated amount of default fund contribution.

For the balance of the default funds KELER pays interest or charges negative interest to KELER CCP in line with the List of Interest Rates valid from time to time. ~~Once~~The amount of interest received from or charged by KELER is distributed once a year ~~KELER CCP distributes~~ among the members ~~the interest received and other fees and interest collected on behalf of in proportion to their contribution to the default funds on other grounds fund.~~ Yield distribution is completed in the closing of the first clearing day after the subject year, credit entries are posted to the bank accounts of Clearing Members on the following day.

In case of termination of the Clearing Membership within a month, the Member will not be entitled to receive or obliged to pay, while in case of the emergence of Clearing Membership within a month, the Member will be entitled to receive or obliged to pay the calculated interests or negative interests. The interests calculated upon the default funds are proportional to the amount and duration, however the

distribution is irrespective of the date of admission. The amount of interest is distributed as if each member have met its own default fund obligation on the first day of the month.

#### **6.10.2. Creation of the default fund**

The Board of Directors of KELER CCP makes a decision regarding the creation and the size of the default fund, (algorithm of default fund creation, the determination of its total value and the rules of distribution among the members and the minimum size of the default funds) and informs regulated market or gas market Clearing Members involved of the decision made, in the case of the regulated market default funds BSE and EuroMTS and in the case of the TP KGA FGSZ, in the case of CEEGEX KGA CEEGEX and FGSZ shall be notified. The distribution of the default fund size among members, thus the amount of contribution is determined in proportion of the initial margin.

#### **6.10.3. Establishment of default fund membership**

The obligation of the member to join the default fund concerned is created by establishing clearing membership in the section/market concerned.

The Clearing Member and KELER CCP become members of the default fund by making payment to the default fund. The collective risk taking obligation of the Clearing Member is created by the membership in the default fund.

#### **6.10.4. Termination of membership in the guarantee fund**

The membership of a Member in a certain default fund ceases in case of termination of the clearing membership. If the clearing membership of a Member is terminated, the share due to the Clearing Member under its proprietary ratio must be paid to him.

At the request of the Clearing Member the legal relation of clearing membership cannot be terminated earlier than the 30<sup>th</sup> calendar day after the request is submitted, but only after the obligations (including payable fees) arising from the regulated market, gas market settlements are met.

Until the termination of the default fund membership the Clearing Member has collective risk taking responsibility.

In case of termination of membership in the default fund, an account will be rendered with the Member on the second clearing day after termination at the earliest.

In accordance with the purpose of the default fund, the collective property can only be dissolved by redemption of the proprietary share of the Member terminating the community of property.

The amount to be paid to the Member may be reduced by the payment obligation of the Member to the default fund and its debt towards KELER CCP. Should any Member withdraw from the collective ownership, the proprietary share of the other members remains in force with appropriate change in the proprietary ratios.

If the default fund member with terminated membership or its legal successor becomes again Clearing Member within one year of termination and as a result becomes member of the default fund, the financial responsibility of the Clearing Member arising from the default fund membership covers all Clearing Member defaults also that occurred during the period of the earlier default fund membership, including defaults related to which it was exempt during the period of termination due to leaving the default fund. Based on this the losses actually paid and not recovered until the day of calculation by other default fund members or KELER CCP related to which the Clearing Member was exempt for the period of termination expressly for the temporary termination of the clearing membership legal relation will be calculated. The amount thus calculated and the pro rata temporis interest until the date of re-entry will be collected from the Clearing Member and will be distributed in proportion to fulfilment

among the earlier performing default fund members and KELER CCP.

#### **6.10.5. Representation of the default fund, Power of Attorney**

The Members authorize KELER CCP to represent them against any Member or third person, before any authority or court with full capacity in any matter relating to the default fund. KELER CCP as an agent is entitled to give commission to an Attorney at Law for representation.

Any justified costs arising in relation to reclaiming amounts used from the default fund are to be paid firstly by the defaulting Member, secondly the Members involved in using the guarantee.

#### **6.10.6. Termination of the default fund**

The Board of Directors of KELER CCP shall make a decision regarding the termination of the default fund and shall advise Members, KELER, in case of KGA and TEA BSE, EuroMTS, in case of TP KGA FGSZ, in case of CEEGEX KGA CEEGEX and FGSZ on the decision made.

Should the default fund cease to exist KELER CCP will distribute the assets among the co-proprietors in line with their proprietary shares after satisfying its claim.

#### **6.10.7. Obligation to contribute to the default fund**

The Clearing Member is obliged to contribute continuously to the default fund in accordance with the rules related to the default fund concerned.

The extent of contribution, the time and method of making contribution are governed by the rules related to the default fund concerned.

The earlier positions, collaterals of the Clearing Member or its legal predecessor during the calculation period are to be taken into account in the contribution to the default fund of Clearing Members that earlier left and then again entered the default fund.

If the Announcement defining the default fund is modified, the member will have to meet payment obligations in line with the provisions of the applicable Announcement.

The contribution of KELER CCP to the default fund equals the minimum amount defined in the prevailing Announcement.

#### **6.10.8. Using the default funds**

The Chief Executive Officer of KELER CCP makes a decision regarding the use and repayment of the default fund.

The default fund may be used in case of default of any Clearing Member if any payment obligation remains in force despite inclusion of the collaterals provided by the Clearing Member and/or its Principal and any other financial instrument specified in these Rules that are aimed at reducing the shortage.

The default fund may be used exclusively according to the provisions of these Rules. In case of using the default fund in excess of own contribution, KELER CCP will inform KELER, in case of KGA and TEA the BSE and EuroMTS, in case of TP KGA FGSZ, in case of CEEGEX KGA CEEGEX and FGSZ and all the Members involved by giving the amount concerned.

#### **6.10.8.1. Sequence of use**

If the default fund is used KELER CCP will draw on the contribution paid by the defaulting Member to the default fund first and calls the defaulting Member to top up its contribution. The own default fund contribution of the defaulting Member can be topped up only after the default is fully settled financially, before the fulfilment of individual collaterals.

Should the debt of the Member not be covered even from the contribution of the Member to the default fund and interests as referred to above and from the default basic fees credited, then KELER CCP will draw on the remaining balance of the default fund. If this is the case, KELER CCP will assess the amounts that are charged to each Member of the default fund from the shortage developed in proportion of their contribution and without delay informs the Members of the default fund thereof.

From the date of default until the final settlement of the given default no allocation can be made against the default fund.

On the clearing day following the using up of the default fund KELER CCP will send a statement of settlement to the defaulting Clearing Member and as part owner of the default fund will proceed against the defaulting Clearing Member.

From the default fund KELER CCP shall satisfy the claims of the Clearing Member entitled to financial credits resulting from regulated market and gas market settlement from the lower amounts to the higher amounts.

#### **6.10.9. Obligation to top up the default fund**

##### **6.10.9.1. Obligation to top up the default fund of the guilty Member**

If the default fund is used to any extent, KELER CCP attempts compulsory sale in order to top up the fund to decrease the amount of shortage, and:

- a) once default is closed it orders complete top up of the default fund used due to the guilty Member,
- b) submits a collection order to receive the necessary amount for the top up from the bank account of the guilty Member.

##### **6.10.9.2. Obligation to top up the default fund of the guiltless Members**

The Member is obliged to continuously meet default fund top up obligations in line with the provisions of these Rules and the Announcement related to the default fund concerned.

The Chief Executive Officer of KELER CCP makes a decision regarding the top up obligation related to the default fund.

The amount of top up obligation is calculated by taking into account the ownership rates prevailing on the day of using the default fund concerned.

On the day of making the decision regarding the top up obligation all Clearing Members are individually informed on the extent of the top up obligation that is to be met until the 10th clearing day following the announcement.

If the Clearing Member terminates its clearing membership agreement not later than 5 clearing days from the announcement of the use of the default fund with a notice period not more than 30 days, and as a result of the termination the clearing membership legal relation is later terminated, it will be exempt from the obligation to meet newer top up obligations related to defaults that may occur after the day of termination, however, it will not be exempt from the existing top up obligations arising from the already announced default or the related top up obligations announced subsequently. In the case of this Clearing Member the amount of top up obligations due after the termination cannot exceed the amount of its last contribution to the default fund calculated before the default is established. However, the actual default fund contribution and default fund top up of the Clearing Member can be used for 30 calendar days, to cover all defaults arising until the termination of the default fund membership at the latest. In the termination period no new default fund contribution is calculated and imposed on to the Clearing Member.

KELER CCP defines the extent of use of individual members proportionally to the default fund contribution obligation prevailing at the time of use.

Members of the default fund receive the amount used of the fund to be borne by them if such is paid by the defaulting Member.

If the use of the default fund on a given day is necessary due to several Clearing Members, all defaulting Clearing Members are obliged to meet the top up obligation.

If the default fund contribution of the defaulting Member and related interest are not sufficient to cover the debt and for this reason KELER CCP has recourse to the contributions of guiltless Members, KELER CCP will give an instruction to KELER that in the interest of top up will attempt to reduce the amount of shortage with the application of compulsory sale regarding the assets of the guilty party.

If full compensation of the default fund contribution of the guiltless members is not successful by compulsory sale even on the fourth clearing day following recourse, KELER CCP will:

- a) order top up of the default fund contribution of the guiltless members following recourse and
- b) submit a collection order to collect the amount required for top up from the bank accounts of the Members by giving a collection deadline.

With respect to one default the use of default fund contributions of one Clearing Member cannot exceed the default fund contribution obligation of the Clearing Member concerned valid on the first day of default..

From the point of view of default fund regulation, irrespective of the timing of the default, all unclosed financial defaults that are related to the Clearing Member concerned and are under the scope of one default fund are considered to constitute one default.

#### **6.10.10. Sanctions in case of failure to contribute and top up the default fund**

Should a Member fail to meet default fund contribution or top up obligations KELER CCP will act in line with the rules on financial default.

In case of default of payment and top up to the default fund KELER CCP will suspend the clearing right of the Clearing Member in the relevant Section/market and at the same time submits a collection order for the accounts of the defaulting Clearing Member.

If the collection order is not fulfilled within 15 days KELER CCP will sell the securities withdrawn from the Clearing Member according to the rules described herein in the Chapter entitled 'Emergency Provision' and meets the payment obligation from the amount received.



#### **6.10.11. Return of payment by the default fund**

In case the entire amount of the default fund is used, KELER CCP warrants for the debt deriving from default. In case of return KELER CCP's claim arising from the warrant must primarily be satisfied and the remaining amount is payable to the Members of the default fund.

Should a Member have a claim against a defaulting Member due to drawing on the default fund, the claiming Member will get back the amount of the claim and related interest only if there is any return.

KELER CCP may include such claims in the portion of ownership of the Member in the default fund.

Should the amount drawn from the default fund return fully or partially in any way and unless the defaulting Clearing Member states otherwise, KELER CCP will distribute the amount returned among guiltless members consenting to the use or their legal successors in proportion of the contribution by the default fund members. In the case of partial fulfilment the Clearing Member can state the default of which period and related to which default fund it wishes to fulfil with the amount concerned, in this case the amount returned is to be distributed among the Clearing Members in proportion of the use of the default fund at the point in time concerned.

If any Member has outstanding payment obligation towards the default fund or KELER CCP at the date of distribution, the amount to be distributed will serve as a bail for the beneficiary of the claim.

Should any Member having claim for share in the distribution cease to exist in the meantime without any successor and there is no other person having legal right to the property to be distributed, the Board of Directors of KELER CCP will make a decision on using the amount concerned.

#### **6.10.12. Proprietary ratio of the Members**

At the time of arising a right or obligation, the proprietary ratio means the ratio which is due to a Member on the basis of the sum actually paid to the default fund. When making the calculation the amount already charging the Member as an obligation but not yet paid must be taken into consideration.

The obligatory claims resulting from the Rules (e.g. obligation to top up etc.) are in effect irrespective of the proprietary ratio. In case of drawing on the default fund, the rights due to or charging the Member remain in force unchanged in the proportion as it was a Member of the fund at the date when the right or obligation arose.

Such rights and obligations remain in force with observation of the general rules of the civil law on statutory limitation, irrespective of any interim change in the proprietary ratios of the default fund, including termination of the membership.

#### **6.10.13. Late interest and fees due to the default funds**

##### **6.10.13.1. Late interest**

If case of failure to meet obligations to contribute to or top up the default fund by the due date, the Clearing Member is obliged to pay the late interest defined in the Fee Schedule of KELER CCP. The amount of late interest increases the amount of the fund.

If the default fund is used the defaulting Clearing Member is obliged to pay late interest from the first day of default until the day before fulfilment. The last day of default is the clearing day before actual fulfilment.

#### **6.10.13.2. Default basic fee**

In case of default KELER CCP collects default basic fee from defaulting Clearing Members for the daily defaults on behalf of the default fund, the extent of default basic fee is defined in the Fee Schedule.

Following deduction of costs the remaining amount of default basic fee is due to the default funds.

#### **6.10.14. Types of default funds imposed by KELER CCP**

KELER CCP stipulates the creation of default funds as follows:

- a) Exchange Settlement Fund (TEA): in respect of multinet clearing,
- b) Collective Guarantee Fund (KGA): in respect of derivative clearing,
- c) TP Collective Guarantee Fund (TP KGA): in respect of TP clearing,
- d) CEEGEX Collective Guarantee Fund (CEEEX KGA): in respect of CEEEX clearing.

##### **6.10.14.1. Exchange Settlement Fund (TEA), determination of contribution to the TEA**

The default fund of the Clearing Members of the BSE equities section and the BSE MTF market, the BSE debt section and the MTS market.

KELER CCP determines the amount of contribution to the TEA by distributing the total value of the minimum default fund as a result of the stress tests in proportion of the initial margin. The Board of Directors of KELER CCP approves the methodology and parameters of TEA contribution that will be published in an Announcement by KELER CCP.

The contribution of individual Clearing Members to the TEA is determined monthly on the first clearing day of each month and is booked on the second clearing day following determination.

##### **6.10.14.2. Collective Guarantee Fund (KGA), determination of contribution to the KGA**

The default fund of the Clearing Members of the derivative equities range of transactions, the financial range of transactions and the commodities section.

KELER CCP determines the amount of contribution to the KGA by distributing the total value of the minimum default fund as a result of the stress tests in proportion of the initial margin. The Board of Directors of KELER CCP approves the methodology and parameters of KGA contribution that will be published in an Announcement by KELER CCP.

The contribution of individual clearing members to the KGA is determined monthly on the first clearing day of each month and is booked on the second clearing day following determination.

##### **6.10.14.3. TP Collective Guarantee Fund (TP KGA), determination of contribution to the TP KGA**

The TP KGA is the default fund of TP market Clearing Members.

The Board of Directors of KELER CCP defines the level of prevailing contribution to TP KGA – depending upon the turnover margin calculated based on TP market and daily imbalance turnover – and it will be published by KELER CCP in an Announcement.

The level of TP KGA contribution by individual Clearing Members will be determined monthly on the first clearing day of each month and will be booked the second clearing day after determination.

#### **6.10.14.1.4. CEEGEX Collective Guarantee Fund (CEEEX KGA)**

The default fund of CEEEX Clearing Members.

##### **6.10.14.1.4.1. Determination of contribution to the CEEEX KGA**

KELER CCP determines the amount of contribution to the CEEEX KGA by distributing the total value of the minimum default fund as a result of the stress tests in proportion of the initial margin. If the CEEEX Clearing Member has membership in the cash market only, it is required to meet the valid minimum default fund contribution. The Board of Directors of KELER CCP approves the methodology and parameters of the CEEEX KGA contribution that will be published in an Announcement by KELER CCP.

The level of CEEEX KGA contribution by individual Clearing Members will be determined monthly on the first clearing day of each month and will be booked the second clearing day after determination.

#### **6.10.15. Procedures if default funds are insufficient**

KELER CCP checks the conditions on the size of the default funds herein defined in Point 6.10.1. daily. If the daily check indicates that the default fund is insufficient, KELER CCP imposes supplementary collateral on Clearing Members that are members of the default fund concerned or requires to determine an extraordinary default fund.

##### **6.10.15.1. Supplementary collateral in the case of insufficient default fund**

If during the checking of the default funds' size KELER CCP establishes that the default fund is insufficient, it can impose supplementary collateral for individual Clearing Members. The due date to provide the supplementary collateral is the clearing day following determination. The obligation to provide supplementary collateral exists until the date to make contribution to the default fund based on the following default fund determination or during the time the default fund is insufficient, in the latter case the obligation exists for at least 5 clearing days. The amount of supplementary collateral can be modified daily. The supplementary collateral is determined for the Clearing Members that in the calculation consented to the default fund becoming insufficient. An Announcement includes details on the rules of distribution. The amount of the default fund together with the amount of supplementary collateral applied at the same time has to cover the amount of the daily calculated requirement. The supplementary collateral does not form part of the default fund, it is considered to be the individual collateral instrument of the Clearing Member and any eventual use is made accordingly.

##### **6.10.15.2. Extraordinary determination of contribution to the default fund**

KELER CCP is entitled to decide on the establishment of an extraordinary default fund related to any default fund. Extraordinary default fund can be determined if the daily checking of the appropriateness of the default fund indicates an insufficiency of at least 25% or if without the extraordinary requirement supplementary collateral would need to be imposed on 50% of the Clearing Members. Extraordinary default fund can be calculated following the use of the default fund due to default also.

In the case of the determination of extraordinary default fund, the contribution to all default funds is booked on the second business day following determination.

#### **6.11. Fulfilment obligation undertaken by KELER CCP**

KELER CCP must maintain sufficient pre-funded available financial resources to cover potential losses that exceed the losses to be covered by the margin requirements stated in Section 6. of these Rules and the default funds. Such pre-funded financial resources include dedicated resources of KELER CCP and are to be freely available to KELER CCP.

The default funds and the other financial resources referred to in this section must at all times enable KELER CCP to withstand the default of at least the two clearing members to which it has the largest exposures under extreme but plausible market conditions.

KELER CCP revises at least annually the amount of dedicated own resources and publishes its amount at its website. KELER CCP revises monthly the part of the dedicated own resources allocated to individual default funds and publishes the amount at its website.

In addition to the dedicated own resources KELER CCP creates additional pre-funded financial resources also to cover its obligation to guarantee fulfilment.

The amount of other financial resources of KELER CCP equals the amount remaining after the deduction of the minimum capital required in legislation for undertaking central counterparty activity and the dedicated own resources from the shareholders' equity of KELER CCP.

#### **6.12. Use of guarantee elements**

##### **6.12.1. General rules**

It is the Clearing Member that is responsible for fulfilment in all cases, therefore all defaults are qualified default of the Clearing Member.

Collateral deposited on Principal accounts cannot be used in case of default on the own account of the Clearing Member, however, those margins and collaterals provided by the Clearing Member that are deposited with respect to the clearing member function (e.g. basic financial collaterals, additional financial collateral, supplementary collateral) or the available bank account balances and securities of the Clearing Member can be fully used also in case of default by the Principal.

The clearing member collaterals that were provided to cover the own positions of the Clearing Member (e.g. Clearing Member own initial margin) can be used up to their free balance and following transfers to the appropriate principal accounts. Own account collaterals can be fully withdrawn only after the termination of own account positions. Accordingly, the Clearing Member is required to transfer the collateral related to its own positions that became available to the account corresponding to the level of segregation involved in default. During the period of default KELER CCP is entitled to restrict account turnover until the required amount of collateral is made available in the account concerned.

The collaterals of the segregated Non-clearing Member or the segregated principal on their collateral accounts can be fully used in the case of default by the segregated Non-clearing Member or the segregated principal concerned, however, irrespective of the method of segregation selected, these collaterals cannot be used to cover default by other Non-clearing Members, principals.

Immediately after default by the Non-clearing Member, principal the Clearing Member is required to name the defaulting Non-clearing Member, principal. During use after default KELER CCP first uses the collaterals of defaulting Non-clearing Members, principals.

In case of variation margin, default in foreign currency or balance of foreign currency bank account KELER CCP gives instruction regarding the foreign exchange conversion necessary for payment, related costs are to be borne by the Clearing Member with insufficient variation margin or the defaulting Clearing Member.

In case of a credit institution Clearing Member with no account kept by KELER, KELER CCP will settle its claims by debiting through VIBER the bank account of the credit institution kept by the MNB, or if the balance of this account is insufficient the balance of the collateral sub-account of the credit institution will be used, additionally by selling the securities blocked on the securities account of the Clearing Member with KELER CCP as beneficiary and the securities freely available on the securities account.

In the course of default management, for the purpose of creating temporary liquidity, KELER CCP is entitled to conclude a securities repurchase (repo) agreement for the securities collateral taken from the guilty member.

When using guarantee elements KELER CCP takes into consideration the own/omnibus Principal, Non-clearing Member or segregated Non-clearing Member and segregated principal segregation. When taking securities as collateral KELER CCP will take into account first government securities, secondly stock exchange listed securities included in the condition list of accepting securities and foreign exchange collateral, thirdly stock exchange listed securities not included in the condition list of accepting securities and foreign exchange collateral and fourthly the securities that are not listed on the stock exchange.

The value of securities included in the condition list of accepting securities and foreign exchange collateral of KELER CCP is established in line with the prevailing condition list of accepting securities and foreign exchange collateral. If the securities listed on the stock exchange are not included in the prevailing condition list of accepting securities and foreign exchange collateral of KELER CCP the value will be defined as 60% of the last stock exchange closing price.

KELER CCP will establish on a case by case basis the collateral value of securities not included in the condition list of accepting securities and foreign exchange collateral.

If taking securities provided as collateral is not sufficient KELER CCP draws down the bank guarantee submitted by the Clearing Member that is available to KELER CCP.

In the case of financial default by Clearing Members the sequence of use of the guarantee system operated by KELER CCP and the financial resources provided by KELER CCP is as follows:

1. defaulting Clearing Member instruments according to segregation,
2. defaulting Clearing member default fund contribution,
3. dedicated own resources of KELER CCP allocated to default fund markets
4. remaining part of default fund,
5. other financial resources of KELER CCP.

In the case of default at any segregation level of the Clearing Member the collaterals of the Clearing Member in the own Clearing Member accounts, related to the clearing member function, can be used, these collaterals are as follows:

- basic financial collateral
- LIDO,
- supplementary collateral if the minimum shareholders' equity requirement is not met by the Clearing Member,
- additional financial collateral imposed due to exceeding the capital position limits,
- additional financial collateral imposed due to non-compliance with Clearing Member obligations (late reporting, repeated defaults, discrepancies noticed at on-site reviews or noticed increase of the risks of the Clearing Member).

#### **6.12.2. Use of guarantee elements in case of default of a multinet transaction**

In case of default of payment and default of securities the final order of using the guarantee system of multinet settlement is as follows:

##### **a) in case of default on own account:**

- balance of own bank account in the currency of settlement of the Clearing Member in case of a credit institution, debit to the bank account kept with MNB through VIBER)
- own initial margin and financial collaterals of the Clearing Member
- freely usable balance of bank accounts of Clearing Member kept in currencies other than the currency of settlement
- freely usable securities of Clearing Member and/ or bank guarantee
- TEA contribution by the Clearing Member
- dedicated own resources of KELER CCP allocated to TEA markets
- the TEA
- use of derivative market own initial margin of the Clearing Member in case of derivative positions of the Clearing Member being fully terminated. Following this the basic financial collateral related to the clearing right concerned and the KGA contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP.

**b) in case of default by the Principal:**

- balance of the bank account of the Principal in the currency of settlement (HUF/foreign currency)
- balance of the bank account of the Clearing Member in the currency of settlement (HUF/foreign currency)
- free balance of the bank account of the Principal in currencies other than the currency of settlement
- free balance of the bank account of the Clearing Member in currencies other than the currency of settlement
- basic financial collateral of the Clearing Member, additional financial collateral and supplementary collateral of the Clearing Member provided with respect to the clearing member function
- own, freely usable securities and/or bank guarantee of the Clearing Member
- TEA contribution by the Clearing Member
- initial margin and supplementary collateral and additional financial collaterals of the Principals
- initial margin, supplementary collateral and additional financial collateral of Non-clearing Member with individual account
- dedicated own resources of KELER CCP allocated to TEA markets
- the TEA
- the own initial margin of the Clearing Member in the case of full termination of spot positions of the Clearing Member
- the derivative market own initial margin of the Clearing Member in the case of full termination of the derivative positions of the Clearing Member. Following this the basic financial collateral related to the clearing right concerned and the KGA contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP.

**c) in case of default by the Non-clearing Member:**

- balance of bank account of the Non-clearing Member in the currency of the settlement (HUF/foreign currency)
- balance of bank account of the Clearing Member in the currency of the settlement (HUF/foreign currency)
- free balance of the bank account of the Non-clearing member in currencies other than the currency of settlement
- free balance of the bank account of the Clearing Member in currencies other than the currency of settlement
- initial margin and supplementary collateral and additional financial collateral of Non-clearing member with individual account
- basic financial collateral of the Clearing Member, additional financial collaterals provided

- with respect to the clearing member function and supplementary collaterals
- own, freely usable securities and/or bank guarantee of the Non-clearing Member
- own, freely usable securities and/or bank guarantee of the Clearing Member
- own TEA contribution of the Clearing Member
- initial margin and supplementary collateral and additional financial collateral of principals
- dedicated own resources of KELER CCP allocated to TEA markets
- the TEA
- the own initial margin of the Clearing Member in the case of full termination of the spot positions of the Clearing Member
- derivative market own initial margin of the Clearing Member in case of full termination of the derivative positions of the Clearing Member. Following this the basic financial collateral related to the clearing right concerned and the KGA contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP.

**d) in case of default by the segregated Non-clearing Member / segregated principal:**

KELER CCP is not entitled to use the collaterals deposited in segregated Non-clearing Member or segregated principal accounts in the case of default in the own account and at the omnibus principal level.

- free balance of the segregated Non-clearing Member/segregated principal in the subaccount of the settlement currency (HUF/foreign currency)
- own, available securities and/or bank guarantee of the segregated Non-clearing Member/segregated principal
- own initial margin and supplementary collateral and additional financial collateral of the segregated Non-clearing Member/segregated principal
- free balance of the bank account of the Clearing Member in the settlement currency (HUF/foreign currency)
- free balance of the bank account of the Clearing Member in currencies other than the settlement currency
- own available securities and/or bank guarantee of the Clearing Member
- basic financial collateral of the Clearing Member, additional financial collateral and supplementary collateral provided with respect to the clearing member function
- own contribution to TEA of the Clearing Member,
- dedicated own resources of KELER CCP allocated to the TEA markets
- the TEA,
- own initial margin of the Clearing Member if the spot positions of the Clearing Member are fully terminated
- own derivative market initial margin of the Clearing Member if the derivative positions of the Clearing Member are fully terminated. Following this the basic financial collateral related to the clearing right and the KGA contribution concerned can be used also
- other financial resources of KELER CCP.

**6.12.3. Use of guarantee elements in case of default of derivative transactions**

In case of default related to the settlement (variation margin and settlement) of a derivative transaction the final order of using the guarantee elements of the derivative settlement is as follows:

**6.12.3.1. In case of default on own account**

**a) In HUF:**

- balance of own HUF bank account of the Clearing Member (in case of a credit institution,

debit to the bank account kept with MNB through VIBER)

- own initial margin and
- financial collaterals of the Clearing Member
- Liquidity FX Deposit
- own, freely usable securities and/or bank guarantee of the Clearing Member
- free balance of own bank accounts of Clearing Member kept in currencies other than the currency of settlement
- own KGA contribution by the Clearing Member
- dedicated own resources of KELER CCP allocated to the KGA markets
- the KGA
- spot market, BSE MTF and MTS market own initial margin of the Clearing Member if the spot positions of the Clearing Member are fully terminated. Following this the basic financial collateral related to the clearing right concerned and the TEA contribution of the Clearing Member can be used also
- other financial resources of KELER CCP.

**b) In foreign currency:**

- own free balance and balance blocked as collateral of the foreign currency account
- Liquidity FX Deposit
- balance of own HUF bank account of the Clearing Member (in case of a credit institution debit to the bank account kept with the MNB through VIBER)
- own initial margin and financial collaterals of the Clearing Member
- own freely usable securities and/or bank guarantee of the Clearing Member
- own KGA contribution by the Clearing Member
- dedicated own resources of KELER CCP allocated to the KGA markets
- the KGA
- spot market, BSE MTF and MTS market own initial margin of the Clearing Member in case of full termination of the spot positions of the Clearing Member. Following this the basic financial collateral related to the clearing right concerned and the TEA contribution of the Clearing Member can be used also
- other financial resources of KELER CCP.

**6.12.3.2. In case of default by the Principal**

KELER CCP is not entitled to use the collaterals deposited on Principal accounts in case of default on own account.

**a) In HUF:**

- balance of HUF variation margin sub-account of the Principals
- balance of bank account of the Clearing Member (in case of a credit institution debit to the bank account kept with MNB through VIBER)
- basic financial collateral of the Clearing Member, additional financial collateral provided with respect to the clearing member function and supplementary collaterals of
- Liquidity FX Deposit
- own available securities and/or bank guarantee of the Clearing Member
- free balance of own foreign currency account
- own contribution to the KGA by the Clearing Member
- initial margin and supplementary collaterals and additional financial collaterals of the Principals
- dedicated own resources of KELER CCP allocated to the KGA markets
- the KGA
- own initial margin of the Clearing Member if the derivative positions of the



Clearing Member are fully terminated

- spot market, BSE MTF and MTS market own initial margin of the Clearing Member if the spot positions of the Clearing Member are fully terminated. Following this the basic financial collateral related to the clearing right concerned and the TEA contribution of the Clearing Member can be used also
- other financial resources of KELER CCP.

**b) In foreign currency:**

- free balance of foreign currency account of the Principal
- free balance of the own foreign currency account
- Liquidity FX Deposit
- balance of HUF bank account of the Clearing Member (in the case of a credit institution, debit to the bank account kept with MNB through VIBER)
- initial margin of the Clearing Member and basic financial collateral, additional financial collateral provided with respect to the clearing member function and supplementary collaterals own freely usable securities and/or bank guarantee of Clearing Member
- own KGA contribution of the Clearing Member
- initial margin and supplementary collateral and additional financial collaterals of Principals
- dedicated own resources of KELER CCP allocated to the KGA markets
- the KGA
- own initial margin of the Clearing Member if the derivative positions of the Clearing Member are fully terminated
- spot market, BSE MTF and MTS market own initial margin of the Clearing Member if the spot positions of the Clearing Member are fully terminated. Following this the basic financial collateral related to the clearing right concerned and the TEA contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP.

**6.12.3.3. In case of default by the segregated Non-clearing Member, segregated principal**

KELER CCP is not entitled to use the collaterals in segregated Non-clearing Member or segregated principal accounts in the case of own account default and omnibus principal level default..

**a) In HUF:**

- free balance of HUF sub-account of the segregated Non-clearing Member/segregated principal
- own freely usable securities and/or bank guarantee of the segregated Non-clearing Member/segregated principal
- initial margin and supplementary collateral and additional financial collaterals of the segregated Non-clearing Member/segregated principal
- free balance of the bank account of the Clearing Member (in the case of a credit institution debit to the bank account kept by the MNB through VIBER)
- own freely usable securities and/or bank guarantee of the Clearing Member
- basic financial collateral of the Clearing Member, additional financial collateral provided with respect to the clearing member function and supplementary collaterals
- Liquidity FX Deposit
- free balance of the own FX sub-account of the Clearing Member
- own KGA contribution of the Clearing Member
- dedicated own resources of KELER CCP allocated to KGA markets
- the KGA
- the own initial margin of the Clearing Member if the derivative positions of the Clearing member are fully terminated

- spot market, BSE MTF and MTS market own initial margin of the Clearing Member if the spot positions of the Clearing Member are fully terminated. Following this the basic financial collateral related to the clearing right concerned and the TEA contribution of the Clearing Member can be used also.
- other financial resources of KELER CCP.

**b) In foreign currency:**

- free balance of FX sub-account of the segregated Non-clearing Member/segregated principal
- own freely usable securities and/or bank guarantee of the segregated Non-clearing Member/segregated principal
- basic financial collateral and supplementary collateral and additional financial collaterals of the segregated Non-clearing Member/segregated principal
- free balance of the FX account of the Clearing Member
- Liquidity FX Deposit
- balance of the HUF bank account of the Clearing Member (in the case of a credit institution debit to the bank account kept by the MNB through VIBER)
- own freely usable securities and/or bank guarantees of the Clearing Member
- basic financial collateral of the Clearing Member, additional financial collateral provided with respect to the clearing member function and supplementary collaterals
- own KGA contributions by the Clearing Member
- dedicated own resources of KELER CCP allocated to KGA markets
- the KGA,
- own initial margin of the Clearing Member if the derivative positions of the Clearing Member are fully terminated
- spot market, BSE MTF and MTS market own initial margin of the Clearing Member if the spot positions of the Clearing Member are fully terminated. Following this the basic financial collateral related to the clearing right concerned and the TEA contribution of the Clearing Member can be used also
- other financial resources of KELER CCP.

#### **6.12.4. Use of guarantee elements in case of TP transaction default**

In case of settlement default of an TP transaction the final order of using the TP settlement guarantee system is as follows:

- own bank account balance of the Clearing Member in the currency of settlement,
- own turnover margin and financial collaterals of Clearing Member,
- own free purpose securities and/or bank guarantee of the Clearing Member,
- free balance of bank accounts of the Clearing Member in currencies other than the currency of settlement,
- own contribution by the Clearing Member to TP KGA,
- dedicated own resources of KELER CCP allocated to the TP KGA markets,
- the TP KGA,
- CEEGEX turnover and initial margin of the Clearing Member if CEEGEX positions are fully terminated. Thereafter basic financial collateral linked to the clearing right concerned and the CEEGEX KGA contribution can be used,
- other financial resources of KELER CCP.

#### **6.12.5. Use of guarantee elements in case of default on a CEEGEX transaction**

In case of default related to the settlement of a CEEGEX transaction the final order of using CEEGEX settlement guarantee system is as follows:

- own bank account balance of Clearing Member in the currency of settlement,
- own turnover margin and financial collaterals of Clearing Member,
- own, free purpose securities and / or bank guarantee of the Clearing Member,

- free balance of bank accounts of the Clearing Member in currencies other than the currency of settlement,
- own contribution by the Clearing Member to the CEEGEX KGA,
- dedicated financial resources of KELER CCP allocated to the CEEGEX KGA markets,
- the CEEGEX KGA,
- TP turnover margin of the Clearing Member in case of full termination of TP positions, including financial obligations arising from imbalance transactions and eventual TP market corrections. Thereafter basic financial collateral linked to the clearing right concerned and the KGA contribution can be used
- other financial resources of KELER CCP.

## **VII. Default management in guaranteed markets**

### **7.1. General provisions**

Default in markets guaranteed by KELER CCP occurs if the Clearing Member obliged to perform fails to meet financial (variation margin,, collateral, etc.), securities or other obligations related to the settlement of transactions or positions in the manner required and by the due time.

In all guaranteed regulated markets, with respect to Clearing Members KELER CCP acts in line with Point 7.3.4. of these Rules in case of securities default (multinet settlement management, etc.) management, in line with Point 7.3.5. in case of financial (purchase price, collateral, fee, etc.) default management, according to the procedure of multinet settlement default management.

Following the declaration of default the defaulting Clearing Member informs KELER CCP in writing on the reason of default within the same clearing day.

Pursuant to the MNB Order on providing information to the central bank information system KELER CCP provides the data required to the MNB. Pursuant to Section 29 (4) of the Act on the MNB, in the course of checking related to the provision of data the MNB is entitled to investigate at the defaulting Clearing Member the facts in direct connection with the reason of default.

In case of default KELER acts based on individual order given by KELER CCP.

These Rules and Fee Schedule contain detailed rules regarding the fulfilment of default and fee payment.

The guilty and the guiltless party and KELER CCP can deviate from the detailed rules of default based on mutual agreement that is to be documented by the parties involved.

In extraordinary situations described in the KELER CCP Regulation on the management of extraordinary situations KELER CCP can deviate from the default rules herein stated with prior Board approval. As collateral for the defaulted transaction KELER CCP takes collateral from the defaulting Member.

### **7.2. Rules of multinet settlement default**

#### **7.2.1. Default on the securities side**

In case of default of the correction transaction concluded with the defaulting Member if the correction cash transaction is not settled within one hour of conclusion, the guilty Member will be suspended. If it has no sufficient collateral either, KELER CCP initiates compulsory buying-in.

If the compulsory buying-in is successful, following deducting its costs arising in relation to default management KELER CCP transfers the remaining amount to the defaulting Member.

If in the course of settling the net securities shortage costs arise that are not covered by the defaulting Member, KELER CCP will use their assets to provide cover and it will be settled in line with the order of using guarantee elements.

#### **7.2.2. Financial default**

If financial default by a Principal is noticed KELER CCP immediately calls the defaulting Clearing Member to identify the transaction (for Day T) related to which financial default occurred.

KELER CCP maintains the below detailed measures as long as the calculated value of assets taken reaches the calculated value of debt.

Collaterals provided for default of financial obligation:

- 7.2.2.1. On behalf of the account of KELER CCP opened for this purpose, at the instruction of KELER CCP, KELER takes the own collateral of the Clearing Member related to the spot market, the BSE MTF and MTS market.
- 7.2.2.2. The entire free balance of the S type stock exchange settlement securities sub-account is taken (except for the part of the free balance that is required for multinet settlement in line with the settlement cycle).
- 7.2.2.3. If necessary, at the instruction of KELER CCP, KELER takes the entire free securities balance of the own consolidated securities account of the defaulting Clearing Member on behalf of the securities account of KELER CCP opened for this purpose.
- 7.2.2.4. If default by the Clearing Member is due to default by its Non-clearing Member or Principal and the calculated value of securities taken in line with the above provisions is expected to be less than the amount of the debt, KELER CCP repeatedly calls the Clearing Member to:
  - a) identify if the Principal or Non-clearing Member concerned provided collateral for spot market, BSE MTF and MTS market transactions (if yes, the amount of collateral), on which account and
  - b) on which sub-account/sub-accounts the securities purchased but not paid by the Principal or Non-clearing Member concerned can be found,
  - c) on which sub-account/sub-accounts the securities owned by the Principal or Non-clearing Member concerned can be found.

If instruction is provided by KELER CCP, KELER will suspend fulfilment of the real time and batch processing transactions of the Clearing Member submitted on the electronic customer relationship system.

Based on information by the Clearing Member KELER CCP takes the assets indicated (securities, funds deposited as collateral) to the securities, HUF or FX account of KELER CCP opened to register the collaterals taken..

For the purpose of creating temporary liquidity KELER CCP is entitled to conclude securities repurchase (repo) transaction in the securities account opened to register collateral taken. KELER CCP bears the costs of making the securities repurchase agreement, the guilty member is responsible to pay only the default fees pursuant to these Rules and the Fee Schedule.

If financial default continues to exist on SD+ 2, KELER CCP is entitled to initiate the compulsory sale of securities taken on behalf of the securities account opened for KELER CCP for this purpose. The amount advanced by KELER CCP will be paid from the counter value of the compulsory sale received in the bank account.

Unless otherwise agreed than herein defined, KELER CCP shall subsequently collect the costs of compulsory sale and the eventual loss arising from the compulsory sale from the buyer failing to provide the purchase price.

If the above measures fail to settle the debts of the Clearing Member KELER CCP acts in line with the provisions of prevailing regulations in the interest of collecting the debt.

### **7.3. Procedure to manage multinet settlement default**

#### **7.3.1. Management of multinet settlement obligation default**

This section deals with the general rules of default management, additionally, in line with the provisions herein stated and based on assessment of risks involved KELER CCP is entitled to make individual decisions deviating from the below provisions as to the method, period, etc. of default

management.

### **7.3.2. General rules on default**

Full execution of deals with multinet settlements on SD can be completed only if the full amount of securities and funds necessary for settlement on SD is available to all Clearing Members involved.

Should the required amount of funds and securities not be available until 14:00 hrs. on the technical securities account and bank accounts of KELER CCP, that is default occurs, KELER CCP will act in line with the provisions of these Rules on delayed fulfilment and default.

In case of default on transactions with multinet settlements KELER CCP is entitled to suspend securities credits to the defaulting Clearing Member and following provision of appropriate collaterals partially or fully terminate suspension. Following individual assessment, KELER CCP suspends securities credits to the defaulting Clearing Member after 16:00 hrs. only to the extent justified by default. Posting credit items in excess of the justified part will be approved as far as possible until 16:00 hrs. on the clearing day concerned.

In case of default on BÉTa market securities the defaulting Clearing Member is obliged to inform KELER CCP in writing until 16:00 hrs. on SD on the reason of default, on its innocence or otherwise related to default. It is obliged to provide detailed background and attach transaction data that evidence deal conclusion and delay. The Clearing Member is considered guilty if its principal is in default. The Clearing Member is obliged to prove its innocence. If no statement or appropriate documents are provided the clearing member is considered guilty. Additionally the defaulting Clearing Member also advises KELER CCP whether it undertakes securities side fulfilment until 16:00 hrs. on SD+2, in this case KELER CCP does not order compulsory buying-in of the securities based on Point 8.4. If statement is provided late or is not provided KELER CCP orders compulsory buying-in on SD+1 if default continues

### **7.3.3. Special rules for delayed fulfilment**

#### **7.3.3.1. For all multinet transactions**

KELER CCP will perform the settlement for all products with multinet settlement at the same time, in the same round. If a BUX index-related investment fund (ETF) is also settled within multinet settlement, KELER CCP will allow the ETF market maker an additional 10 minutes after the end of the multinet settlement to provide collateral necessary for fulfilment and considers the case delayed fulfilment. In case of delayed fulfilment KELER CCP will not charge default fees to market markers.

In the following cases delayed fulfilment will become default and KELER CCP will proceed as described under default.

- the debit transaction sent for the correction amount is unsuccessful,
- if the market maker is a net ETF seller and the ETF necessary for fulfilment is not available on its stock exchange securities account within 10 minutes after multinet settlement,
- if the market maker is a net ETF buyer and the securities necessary for fulfilment are not available on its stock exchange securities account within 10 minutes after the multinet settlement

#### **7.3.3.2. In case of market maker**

- a) Market maker net ETF seller

Within the one round multinet settlement KELER will credit the securities necessary for receipt of ETF

to the account of the ETF market maker. On the basis of a request by the market maker the ETF issuer generates and then makes available to the market maker the necessary amount of ETF against the securities portfolio, from this amount the market maker can fulfil ETF delivery obligations, delayed ETF fulfilment.

b) Market maker net ETF buyer

If the market maker is a net ETF buyer, the issuer of the ETF makes the series of several securities specified in advance available to the market maker against the ETF, from which the market maker can fulfil its delivery obligation for the securities. In this case, the market maker is in delay with respect to the securities.

#### **7.3.4. Securities side default**

Default on the securities side can occur on the type S stock exchange securities settlement account of the Clearing Member, on the stock exchange securities settlement account opened for a Non-clearing Member of the Clearing Member or on the stock exchange securities settlement account of type M.

##### **7.3.4.1. Rules on the settlement of net securities shortage**

If after 14:00 hrs. on SD KELER CCP establishes default, in order to settle the net securities shortage it will take measures as follows:

- a) it defines the amount of the net shortage regarding the securities concerned,
- b) selects innocent member(s),
- c) concludes a correction deal with the innocent member selected,
- d) concludes a correction deal with the defaulting member,
- e) compulsory provision by KELER CCP.

ea) Establishing the amount of shortage

Out of the closing price of day T or the closing price of the day before the settlement day (SD-1) KELER CCP will use the higher to establish the value of the securities shortage (amount of shortage).

eb) Selecting the innocent member

After 14:00 hrs. on settlement day KELER CCP will determine the amount of the shortage in the securities not provided by the defaulting member(s) in respect of the securities concerned.

KELER CCP will distribute the calculated shortage among the members having net securities buy position for the defaulted securities on settlement day:

1. In respect of the defaulted securities KELER CCP will arrange the own net buy positions first, then jointly with the positions of the Non-clearing Member the net buy positions of the principals in sequence, starting from the highest net position and proceeding towards the lowest one.
2. In the sequence formed in line with the above description, starting from the highest positions KELER CCP defines the net securities buy positions defaulted as long as the amount of the selected net securities buy positions reaches the defaulted amount. If the amount to be selected at last the two net positions are equal KELER CCP defines randomly the sequence of the two members.

3. If the original net securities buy position selected last is higher than the value necessary for fulfilling the aggregated shortage, KELER CCP establishes default for the necessary partial amount.
4. In case of securities default, except for the positions selected KELER CCP closes subject day multilateral net settlement.

ec) Procedure regarding the innocent member, concluding correction transaction

KELER CCP pays back to the selected innocent buyer(s) the buy price of defaulted securities calculated with the use of the higher of day T closing price or the closing price of the day before settlement day (SD-1).

Between the selected innocent buyer(s) and KELER CCP KELER concludes new DVP transaction(s).

Until the transaction is settled or compulsory provisions are taken DVP transaction is put in a queue.

The system of KELER continuously attempts to settle the DVP transaction made between the innocent buyer and KELER CCP and if the securities account of the defaulting member becomes covered, the securities transaction made in line with the above provisions is settled.



ed) Procedure to conclude correction transaction with the defaulting member

KELER concludes a DVP transaction with the defaulting member in line with segregation, to the debit of the stock exchange settlement securities account and to the credit of KELER CCP technical securities account. The subject of the transaction is the defaulted securities amount concerned. KELER registers the DVP transaction until settlement, but at most for two additional clearing days as an item to be settled.

ee) Compulsory provision by KELER CCP

In order to settle the shortage KELER CCP takes measures as follows:

First it decreases the daily Multinet credit amount of the Clearing Member for the day concerned. If the Non-clearing Member or Principal shortage continues to exist KELER CCP makes up the shortage from the amount of daily Multinet credits related to the own positions of the Clearing Member.

If the amount of credits that can be used is zero or insufficient, in line with segregation KELER CCP debits the bank account related to which default occurred. In case of unsuccessful debit to the Principal and the Non-clearing Member, KELER CCP attempts to debit the own bank account of the Clearing Member with the amount of shortage.

If the debit to the own account is not successful the Clearing Member has one hour to provide the necessary cover on the uncovered account (with transfer, transfer between accounts etc.).

If the account is uncovered after the grace period of one hour KELER CCP initiates compulsory buying-in in line with these Rules.

As long as the result of compulsory buying-in is not known, KELER CCP calculates collateral for the defaulted securities.

If following compulsory buying-in the financial assets withdrawn from the Clearing Member do not cover the actual amount of debt KELER CCP will cover the difference from the guarantees to be used in line with the sequence specified in these Rules.

KELER CCP is entitled to retain all (own, Non-clearing Member and Principal) securities credits resulting from regulated market settlement of the Clearing Member for the day concerned until withdrawal thereof. The rules of taking securities when providing collateral apply to the securities retained.

#### **7.3.4.2. Default on the correction transaction concluded with the innocent member**

Default of the correction transaction made with the innocent member results in compulsory provision by KELER CCP. Until the transaction is settled or compulsory buying-in is launched the financial leg of the correction DVP transaction involving the innocent buyer is queued.

If at the latest until the opening of Stock Exchange on the clearing day following receipt of the securities shortage or until the opening of Stock Exchange on SD+2 day the financial leg of the correction DVP transaction involving the innocent buyer is not settled KELER CCP launches the compulsory sale of the securities.

#### **7.3.4.3. Default on the correction transaction made with the defaulting member**

a) Default on SD of the financial leg of the correction transaction:

- In the event that the financial leg of the correction transaction is not fulfilled but the defaulting member provides the missing securities on the relevant stock exchange settlement account within one hour following the transaction is initiated, KELER CCP is entitled to close the default process earlier and to execute the settlement with the defaulting as well as the innocent members.
- In the event that the financial leg of the correction transaction is not fulfilled within one hour of concluding the transaction KELER CCP launches compulsory buying-in in line with these Rules.

b) Default on the securities side of a correction transaction:

- In case of default of the DVP transaction for two additional clearing days at most, KELER CCP launches compulsory buying-in.
- In case of a successful compulsory buying-in by KELER CCP it will remit the remaining amount back to the defaulting member after deduction of its expenses incurred in relation to the handling of the default.

Should any expense arise during settlement of the net securities shortage that is not covered by the defaulting member, KELER CCP will use its own financial assets to cover such expenses.

### **7.3.5. Financial default**

#### **7.3.5.1. General rules**

If not all financial debit entries are fulfilled by 14:00 hrs., KELER CCP will implement the following compulsory provisions by settlement currencies to facilitate fulfilment:

a) Default of an obligation stipulated in HUF:

If a debit item in the course of fulfilling a transaction on T day is not fulfilled or only partially fulfilled (not including failure to provide collateral), prior to compulsory provision by KELER CCP, KELER will allow its technical account to be overdrawn up to the prevailing amount of the own assets of KELER CCP thus ensuring payment in favor of sellers.

b) Default of an obligation stipulated in foreign exchange:

During the clearing day the defaulting buyer has the possibility to fulfil the financial obligation incurred in foreign exchange.

If default continues to exist at 8:30 hrs. on SD+1 day, KELER CCP will take steps to make a foreign exchange transaction necessary for fulfilment against the bank account of the Clearing Member, related expenses are to be taken by the defaulting Clearing Member.

If the bank account balance does not provide sufficient cover for foreign exchange conversion, KELER CCP will act in line with the provisions regarding default in HUF.

### **7.3.5.2. Measures in case of financial default**

In order to facilitate fulfilment and to cover the costs arising as a result of default, KELER CCP takes and maintains the following measures as long as the Clearing Member settles its debt towards KELER KCCP. KELER CCP will terminate such measures when receivables are recovered.

As long as default continues KELER CCP will continuously attempt to debit the defaulted amounts to the account of the defaulting Clearing Member, thus reducing the amount of the actual debt. If the bank account is maintained by the MNB, the high priority debit order initiated in relation to the regulated market transaction settlement will remain in the queue within the value date concerned until fulfilment. Should the debit item initiated through VIBER not be fulfilled until the end of the clearing day KELER CCP will repeatedly attempt to collect the amount through VIBER on the next clearing day.

Following KELER CCP becoming aware of financial default, in line with the sequence defined in these Rules and with regard to segregation it will withdraw the assets of the Clearing Member deposited with KELER on behalf of the account of KELER CCP opened for this purpose.

As long as default continues to exist at the instruction of KELER CCP KELER is entitled to retain (own, Principal and Non-clearing member) securities credits of the defaulting member until the instruction is revoked by KELER CCP. The rules of taking securities when providing collateral apply to the securities retained.

Based on instruction by KELER CCP KELER is entitled to suspend execution of real time and batch processing transactions submitted by the Clearing Member in the electronic customer relationship system.

In case of shortage due to financial default KELER CCP is entitled to conclude a securities repurchase (repo) agreement for the securities taken to the securities account opened to register collateral taken for the purpose of creating temporary liquidity or to initiate compulsory sale of the securities. KELER CCP bears the costs of the securities repurchase agreement, the guilty member is responsible to pay only the default fees pursuant to these Rules and the Fee Schedule.

### **7.3.6. Measures in case of default on multinet transaction**

#### **7.3.6.1. Suspension of clearing right**

KELER CCP will automatically suspend the clearing right of the Clearing Member if the Clearing Member fails to meet obligations towards KELER CCP to provide collateral / cover:

- its financial cover ceases to exist for any reason or is used due to default,
- failure to pay TEA contribution,
- multinet financial default,
- default on financial correction transaction,
- insufficient cover for costs arising in the course of compulsory buying-in by KELER CCP.

KELER CCP will send the advice on the suspension of the clearing right to BSE and EuroMTS.

Before the start of trading BSE and EuroMTS will take steps to ensure that the suspended Clearing Member cannot make deals during the trading day.

KELER CCP may change the notification on suspension and informs BSE and EuroMTS thereon without delay, based on the notification they take steps to restrict trading or release the restriction imposed.

Should the Clearing Member conclude deals despite the suspension, KELER CCP will refuse to accept the transactions.

#### **7.3.6.2. Notification to BSE, EuroMTS and the MNB**

In case of suspension of the clearing right, default of a securities transaction or initiation of compulsory buying-in KELER CCP will notify the Clearing Member, BSE, EuroMTS and the MNB.

#### **7.3.6.3. Use of guarantee elements**

Point 6.12. of these Rules govern the sequence of use of guarantee elements.

#### **7.3.6.4. Imposing and collection of late and default fees**

In case of default KELER CCP is entitled to collect a default fee, default basic fee and default surcharge defined in these Rules and in the Fee Schedule.

KELER CCP will not charge default fee, default basic and default surcharge to the defaulting member if default is due to the member as a selected member in the settlement cycle prior to default failing to receive or having received only partially the same series of securities subject to default.

A further condition of exemption from default fee, default basic fee and default surcharge is that

- the member failed to meet the obligation of delivering securities registered as own position because it failed to receive securities receivables registered as own position as an earlier selected member, or
- the member failed to meet the obligation of delivering securities registered as the position of a Principal or Non-clearing Member because it failed to receive securities registered as the position of the same Principal or Non-clearing Member as an earlier selected member. In this latter case, the Clearing Member has to prove that the defaulting Principal or Non-clearing Member is identical with the Principal or Non-clearing Member who did not receive securities during its earlier transaction.

In case of securities default on the BÉTa market KELER CCP does not charge default fees, default basic fee and default surcharge in respect of defaults fulfilled until 16:00 hrs. on SD+2 provided the defaulting member documents its innocence in the manner stipulated in these Rules. For defaults beyond time late fee and default basic fee will be charged from SD+2, default surcharge will be charged retrospectively from SD. If the defaulting member fails to document its innocence until 16:00 hrs. on SD in the manner stipulated in these Rules, late fee, default basic fee and default surcharge will be charged in line with the general rules.

#### **7.3.6.5. Late fee**

In case of default on collateral (basic financial collateral, additional financial collateral, default fund, initial margin, supplementary collateral and variation margin) established at 8:50 hrs. each morning by collateral types, in case of financial default established at 14:00 hrs. on SD by currency and in case of securities default established at 14:00 hrs. on SD by securities KELER CCP charges late fee to the defaulting Clearing Member that the Clearing Member is obliged to pay in line with the invoice of fees for the subject month. Each collateral default by collateral type, each financial and securities default by currency and securities is considered separate default pursuant to Point 8.1. of the Fee Schedule. If collateral default occurs as a consequence of collateral settlement, KELER CCP charges no further late fee on collateral default resulting from collateral settlement.

#### **7.3.6.6. Default basic fee**

In case of default beyond the due date on collateral (basic financial collateral, additional financial collateral, default fund, initial margin, supplementary collateral and variation margin) established at 8:50 hrs. each morning by collateral type, in case of financial default beyond the due date established at 14:00 hrs. on SD by currency KELER CCP collects default basic fee, in addition to the late fee, from the defaulting Clearing Member. The default basic fee is shared equally by TEA and KELER CCP. KELER CCP takes measures within 3 clearing days to collect the part due to the default fund. The Clearing Member is required to pay the fee due to KELER based on the fee invoice for the subject month. Each collateral default by collateral type, each financial default by currency is considered separate default pursuant to Point 8.1. of the Fee Schedule. If collateral default occurs as a consequence of collateral settlement, KELER CCP charges no further default basic fee on collateral default resulting from collateral settlement.

#### **7.3.6.7. Securities default basic fee**

Within 3 clearing days of each default on securities beyond the due date established by securities at 14:00 hrs. on settlement day, in addition to the late fee KELER CCP will collect daily default basic fee according to value ranges in its Fee Schedule. The securities default basic fee is charged for each securities default established by securities type. The securities default basic fee is defined based on the value of the securities default established by securities type in line with the value ranges stated in the Fee Schedule. The securities default basic fee is shared equally by TEA and KELER CCP. KELER CCP takes measures within 3 clearing days to collect the part due to the default fund. The Clearing Member is required to pay the fee due to KELER CCP based on the fee invoice for the subject month.

#### **7.3.6.8. Default surcharge**

Also in the case of performance on a securities default existing after 16:00 hrs. on settlement day default surcharge is due to the innocent buyer(s). Once a month KELER CCP collects default surcharge from the defaulting Clearing Member and transfers it to the account of the innocent buyers in proportion to the rate of default.

If fulfilment takes place after 16:00 hrs. on settlement day, the default surcharge is justified in proportion to the value of the default.

Sellers will receive the purchase price in time also in case of financial default after 16:00 hrs. on settlement day, thus they cannot claim default surcharge. Sanctioning the defaulting Clearing Members will take place by other means referred to above.

#### **7.4. Procedure to manage derivative market default**

If variation margin cannot be settled financially, following establishment of default KELER CCP takes measures without delay to sell securities collateral provided and settles variation margin shortage from the sales proceeds received.

KELER CCP is entitled to conclude a securities repurchase (repo) agreement for the securities taken to the securities account opened to register collateral taken for the purpose of creating temporary liquidity. KELER CCP bears the costs of the securities repurchase agreement, the guilty member is responsible to pay only the default fees pursuant to these Rules and the Fee Schedule.

If proceeds from the securities sold are more than the payment obligation of the Clearing Member, KELER CCP transfers back the difference to the bank account of the Clearing Member.

If proceeds from the securities sold are not sufficient to meet the payment obligation of variation margin and option premium, KELER CCP acts in line with the provisions of these Rules.

The Clearing Member is obliged to meet payables until the start of trading on the day concerned. If it fails to do so KELER CCP suspends the clearing right of the Clearing Member.

With respect to Clearing Members, during default management KELER CCP acts in line with the provisions of Point 7.2. of these Rules.

##### **7.4.1. Derivative market late fee**

In case of default related to collateral, purchase price, variation margin, physical securities delivery default or partial delivery established in the morning of each T+1 day KELER CCP charges derivative market late fee in line with the Fee Schedule to the defaulting Clearing Member separately by collateral type, currencies, ranges of transactions and securities that is payable by the Clearing Member based on the fee invoice issued for the subject month. Each default stated by collateral type, ranges of transactions, currency and securities is considered separate occasion pursuant to Point 8.2. of the Fee Schedule.

If collateral default occurs as a consequence of collateral settlement, KELER CCP does not charge additional late fee on collateral default resulting from collateral settlement.

##### **7.4.2. Derivative market default basic fee**

In case of default beyond the due date related to collateral, purchase price, variation margin, physical securities delivery default or partial delivery established in the morning of each T+1 day, in addition to the late fee KELER CCP collects derivative market default basic fee by collateral type, currency, ranges of transactions, securities types separately in line with the Fee Schedule. The derivative market default basic fee is shared equally by the KGA and KELER CCP. KELER CCP takes measures within 3 clearing days to collect the part due to the default fund. The Clearing Member is required to pay the fee due to KELER CCP based on the fee invoice for the subject month. Each default stated by collateral type, ranges of transactions, currency and securities is considered separate occasion pursuant to Point 8.2. of the Fee Schedule. If collateral default occurs as a consequence of collateral settlement, KELER CCP does not charge additional default basic fee on collateral default resulting from collateral settlement

### **7.4.3. Defaults and related compulsory provisions**

#### **7.4.3.1. General provisions for physical securities delivery default**

In case of partial performance or default by the seller, KELER CCP will guarantee physical fulfilment by attempting to provide the missing securities by compulsory buying-in on the last day of the settlement cycle. Compulsory buying-in of securities is made according to the provisions of these Rules. If compulsory buying-in is partly or fully unsuccessful, KELER CCP will cancel open positions at the settlement price of expiration date.

In case of partial fulfilment or default on purchase price KELER CCP will pay the purchase price of the securities made available by the seller for delivery at the settlement price of the expiration date even in case of default by the buyer, it will sell surplus securities in compulsory sale and cancels open positions at the settlement price of the date of expiration.

In case of default or partial fulfilment the Clearing Member has to pay derivative market late fee and derivative market default basic fee provided for in the Fee Schedule.

The derivative market default basic fee can be used to cover the difference between the original purchase price and the compulsory buying-in price and for payment of the purchase price and for the settlement of all expenses incurred by KELER CCP in relation to compulsory provision during the period of receipt of the purchase price from compulsory sale.

KELER CCP is obliged to send statement to the members on the use of derivative market default basic fee. The amount remaining after deduction of costs will be credited to the default fund account of the range of products concerned.

In case of a shortage exceeding the derivative market default basic fee KELER CCP is entitled to use the collaterals of the Clearing Member.

##### **7.4.3.1.1. Default by the seller**

If securities are not available in the quantity required and of the required series on the securities account of the Clearing Member by the deadline set, KELER CCP will order compulsory buying-in.

KELER CCP orders compulsory buying-in only for a quantity of securities the counter value of which is available on the securities purchase price deposit account of the Clearing Member concerned kept with KELER.

In the course of settlement KELER CCP will disregard securities that correspond to contracts with no integer numbers but will block them on the securities account of the seller and if necessary in the course of compulsory buying-in KELER CCP will use them at the settlement price of expiration date.

After compulsory buying-in is completed KELER CCP will distribute securities available, at random, by buy positions.

##### **7.4.3.1.2. Default by the buyer**

If the Clearing Member failed to provide purchase price by the deadline set, KELER CCP will order compulsory sale.

In the settlement process the fee defined in the Fee Schedule will be charged for the period between payment of the purchase price to the seller and the date of receipt of sales proceeds from the compulsory sale.

KELER CCP will settle accounts with the buyer on the purchase price received from the compulsory sale (after deduction of costs). Additional income deriving from the compulsory sale is due to the default fund. In case of shortage KELER CCP is entitled to use collaterals of the Clearing Member.

#### **7.4.3.2. General provisions on physical settlement FX delivery default**

In case of partial settlement or default by the seller, KELER CCP guarantees physical delivery by attempting compulsory FX conversion on the last day of the clearing cycle to provide the missing foreign currency amount. If the compulsory FX conversion fails in part or in whole, KELER CCP cancels the open positions at the expiry date settlement price.

In case of partial settlement or default on purchase price, KELER CCP pays to the seller – also in case of default by the buyer – the foreign currency purchase price provided for delivery by the seller, at the settlement price upon expiry, performs a compulsory sale for the excess foreign currency (FX conversion) and cancels the open positions at the expiry date settlement price.

In case of default or partial settlement, the Clearing Member is required to pay the derivative market late fee and derivative market default basic fee stated in the Fee Schedule.

The derivative market default basic fee can be used to cover the difference of the original purchase price and the compulsory FX conversion price, to pay the purchase price and to cover the costs related to the compulsory measures arising at KELER CCP in the period the purchase price from the compulsory sale (FX conversion) is received.

KELER CCP is required to provide detailed information to the members on the use of the derivative market default basic fee. The amount remaining after the deduction of costs is credited to the account of the default fund of the products given.

If the shortage exceeds the derivative market default basic fee, KELER CCP is entitled to use the collaterals of the Clearing Member.

##### **7.4.3.2.1. Default by the seller**

If the required amount of foreign currency is not available in the foreign currency account of the Clearing Member by the applicable deadline, KELER CCP orders compulsory buying-in.

KELER CCP orders compulsory FX conversion only for the amount of foreign currency the counter value of which is available in the purchase price margin accounts of the Clearing Member concerned kept by KELER.

KELER CCP distributes (randomly) among the buy positions the foreign currency amount available after the end of the compulsory FX conversion.

##### **7.4.3.2.2. Default by the buyer**

If the Clearing Member fails to provide the purchase price by the applicable deadline, KELER CCP orders compulsory sale (FX conversion).

In the clearing process, the late interest stated in the Fee Schedule is charged for the period from the time the purchase price is paid to the seller until the receipt of the purchase price from the compulsory sale.

KELER CCP settles the purchase price from the compulsory sale (after deduction of costs) with the buyer. Any excess from the compulsory sale is payable to the default fund. If there is any shortage, KELER CCP is entitled to use the collaterals of the Clearing Member.

#### **7.4.3.3. Physical default in the commodities section**

##### **7.4.3.3.1. Default by the seller**



If the seller fails to submit the warehouse warrant KELER CCP completes the procedure defined for the second delivery round.

#### **7.4.3.3.2. Default by the buyer – settlement with warehouse warrant**

If the buyer fails to deposit the purchase price cover by the cut-off time stated, KELER CCP will fulfil to the seller by selling the warehouse warrant as follows:

- On the fourth clearing day after expiration, the seller shall issue an invoice on the purchase price to the buying member. Invoice copy is sent to KELER CCP. The payment date of the invoice is the eighth clearing day following issuance.
- On the 12th clearing day following expiration (payment date of the invoice), KELER CCP grants cover automatically to the buying member up to the extent of default by paying the amount invoiced by the stock exchange seller.
- Simultaneously, on the third clearing day following expiration, KELER CCP
  - a) automatically initiates compulsory sale of the warehouse warrant,
  - b) suspends the clearing right of the Clearing Member,
  - c) until final settlement blocks the daily profits of the Clearing Member on the Clearing Member's sub-account,
  - d) refuses payment, transfer and release of initial margin and financial cover.
- Within three clearing days from receipt of the purchase price from compulsory sale, KELER CCP will send statement of settlement to the buying member.
- The invoice on compulsory sale will be issued to the actual stock exchange buyer, as the seller of the goods kept in the warehouse instead of KELER CCP to the actual buyer.
- The stock exchange buyer is entitled to receive the surplus income from the compulsory sale as well as to the transport costs deducted from the seller due to the delivery terms.
- The stock exchange buyer is obliged to pay the loss deriving from the compulsory sale and to pay an interest equaling the twofold of the central bank base rate for the period of providing cover.
- The stock exchange buyer is obliged to settle its payment obligation till the 3rd clearing day after settlement by KELER CCP. Should it fail to do so, KELER CCP will use all guarantees provided in relation to the membership.

#### **7.4.3.4. Compulsory sale of warehouse warrants**

After becoming aware of insufficient cover on T+2 day, KELER CCP calls on BSE to define the section member by drawing or appointment that would attempt to sell the warehouse warrants in the spot phase as from T+3 day.

The member of the commodities section appointed tries to sell the warehouse warrant on T+3 and T+4 days in the spot phase. In case of a successful sale, it concludes a contract with the buyer in which the buyer takes the obligation to pay the purchase price on the second day following the conclusion of contract.

In the event that the compulsory sale in the spot phase is unsuccessful, KELER CCP will try to sell the warehouse warrant by auction. In agreement with the BSE, on T+5 day KELER CCP will determine the participants of the grain market who will be requested to make bid for buying the warehouse warrant.

The invitation for bids should contain that the deadline of submission of the bid is T+7 day, the latest term of payment to be indicated in the bid is T+10 day.

On T+8 day KELER CCP will announce the winner.

#### **7.4.3.65 Measures in case of financial default**

##### **7.4.3.5.1. T day**

In line with these Rules a payment obligation related to stock exchange derivative positions arises to contribute to the default fund, to pay the difference from compulsory buying-in/sale, such as late fee, derivative market default basic fee, variation margin related to open positions, option premium, basic financial collateral, additional financial collateral, supplementary collateral and initial margin that the Clearing Member will be advised of in the call sent by KELER CCP or the stock exchange trade confirmation

#### **7.4.3.5.2. T+1 day**

KELER CCP will have the clearing right of the Clearing Member suspended if the Clearing Member fails to meet partly or entirely the following obligations towards KELER CCP:

- Obligation to provide collateral and make payment in relation to derivative positions,
- If financial collateral is terminated for any reason or is used due to default,
- LiDÓ ceases to exist for any reason, it falls below the level defined in the KELER CCP Announcement or is used due to default,
- Due to failure to make contribution to the default fund.

In case of default by the principal, based on the call made by KELER CCP the Clearing Member is obliged to declare within sixty minutes of receipt of the call the position management accounts where default occurred and the value and type of the initial margin belonging to the defaulting position account/principal. On the basis of the declaration, KELER CCP is entitled to sell immediately the collateral deposited in securities. KELER CCP is entitled to use the purchase price received as well as the collaterals deposited in cash for settlement of the default.

Should the Clearing Member fail to make the declaration within 60 minutes, KELER CCP is entitled to start compulsory liquidation of own account positions of the Clearing Member.

In a serious case KELER CCP may immediately start compulsory liquidation of the own account positions of the Clearing Member and those of the defaulting principals.

KELER CCP considers a case serious if the Clearing Member fails to meet payment obligations repeatedly or if payment obligation related to the concerned daily variation margin and option premium exceeds the amount of collateral provided by the Clearing Member.

#### **7.4.3.5.3. T+2 day**

Should the Clearing Member fail to meet the obligation to provide collateral and make payment by T+2 day, KELER CCP will start compulsory liquidation as follows:

- if default is related to own open positions, KELER CCP is entitled to have any of the own positions of the Clearing Member liquidated,
- KELER CCP will consolidate the positions of all position management accounts of the Clearing Member and automatically close opposite open positions,
- if there is a default in principal positions:
  - a) KELER CCP is entitled to have any own open positions of the Clearing Member compulsory liquidated,
  - b) on the basis of declaration provided by the Clearing Member on the defaulting principal, KELER CCP:
    - ba) will automatically close opposite open positions for all defaulting principals,
    - bb) will transfer the positions of the defaulting principal to the own account positions of the Clearing Member, will close the opposite open positions and start compulsory liquidation,

- c) if the Clearing Member fails to meet the obligation of declaration or failed to arrange the transfer of the positions of the performing principals, KELER CCP can have all principal positions liquidated.

KELER CCP is entitled to determine positions to be liquidated at its discretion.

KELER CCP will send the order on compulsory liquidation to BSE, the defaulting Clearing Member that cannot give BSE order for liquidation purposes either and is obliged to revoke all earlier orders.

KELER CCP will register the transaction made during the compulsory liquidation on the account of the defaulting Clearing Member, thus closing open positions.

If compulsory liquidation is not possible on the BSE, KELER CCP is entitled to take any other measure in order to protect the market and to reduce, limit losses, and will immediately inform the Board of Directors of KELER CCP thereon.

#### **7.4.3.6. Process of clearing right suspension**

KELER CCP sends its resolution on suspension of the clearing right to BSE at least ten minutes before opening of daily trading. Before the start of trading BSE will take steps to ensure that the suspended Clearing Member cannot make any transaction with the intention of position opening during the trading day.

If KELER CCP amends the resolution on suspension during trading hours, it shall notify BSE without delay, BSE will terminate restrictions on trading related to the Clearing Member without delay.

The Clearing Member suspended is entitled to position closing only. This can be completed either by giving order to another Clearing Member with trading right, the Clearing Member executing the order will get the order registered in its own name but for the account of the defaulting Clearing Member, or the trading system allows registering bids only that are for closing open positions of the Clearing Member.

If the position cannot be closed with the transaction made, KELER CCP will register the transaction on the account of the executing Non-clearing Member or Clearing Member as own account position opening. Should the Clearing Member conclude a deal to open position despite the suspension, KELER CCP will refuse to accept the transaction.

#### **7.4.3.7. Process of compulsory liquidation**

KELER CCP calls BSE in writing to implement compulsory liquidation, giving comprehensive data of the derivative transaction to be made as well as price. The BSE will determine the Non-clearing Member, Clearing Member by drawing or appointment from the Clearing Members with trading right.

Implementation of the compulsory liquidation is free of commission.

For coverage of loss deriving from compulsory liquidation KELER CCP is entitled to have recourse to all collaterals of the Clearing Member, own available securities on the securities account of the Clearing Member, spot market collaterals or, if it would prove insufficient also the default fund.

## **VIII. Compulsory provision**

### **8. Compulsory provision**

#### **8.1. Cases of compulsory provision application**

In accordance with the provisions of the present Rules KELER CCP applies compulsory provisions to promote settlement.

As compulsory provision KELER CCP is entitled to order securities compulsory buying-in and compulsory sale of securities, positions closing and foreign exchange conversion.

Compulsory provision can be applied:

- in case of failure to meet the obligation of delivering securities or cash related to a guaranteed transaction if the shortage cannot be solved with securities lending either;
- if securities delivered by the Clearing Member are subject to cancellation or destruction procedure by a notary public and consequently the respective securities account of the Clearing Member shows a negative balance;
- if it is necessary to sell the securities of the Clearing Member serving as collateral.

The deadline and method of satisfying the obligation to deliver securities and cash related to the transactions are regulated in the present Rules and the applicable Announcement(s).

KELER CCP shall inform without delay the defaulting Clearing Member, in case of default on regulated market transaction BSE, EuroMTS and the MNB, in case of TP default FGSZ and MEKH, in case of CEEGEX default CEEGEX, FGSZ and MEKH on the compulsory provisions.

#### **8.2. The order of repayment of the amount advanced by KELER CCP**

If the original securities shortage arose on a Non-clearing Member account or on a sub-account of M type for stock exchange securities settlement KELER CCP calls on the Clearing Member to identify

- a) the securities of the defaulting Principal and Non-clearing Member recorded in KELER,
- b) if the call specified in point a) is not met all the securities of all Principals and Non-clearing Members are to be identified.

Based on the statement KELER CCP takes the identified securities of the defaulting Principal or Non-clearing Member on behalf of the account of KELER CCP opened for this purpose.

If the amount used from the assets of KELER CCP for the settlement of the debt of the defaulting Member is not repaid, KELER CCP is entitled to initiate the compulsory buying-in of securities taken on behalf of the securities account opened for this purpose.

If as a result of the above measures the debt is repaid KELER settles accounts with the defaulting Member.

If despite the above steps the Clearing Member cannot settle its debts, KELER CCP acts in line with the provisions of applicable regulations to collect the amount of debt.

### **8.3. Evaluation of securities taken as collateral**

When taking securities as collateral KELER CCP will take into account first government securities, secondly stock exchange listed securities included in the condition list of accepting securities and foreign exchange collateral, thirdly stock exchange listed securities not included in the condition list of accepting securities and foreign exchange collateral and fourthly the securities that are not listed on the stock exchange.

The value of securities included in the condition list of accepting securities and foreign exchange collateral of KELER CCP is established in line with the prevailing condition list of accepting securities and foreign exchange collateral. If the securities listed on the stock exchange are not included in the prevailing condition list of accepting securities and foreign exchange collateral of KELER CCP the value will be defined as 60 % of the last stock exchange closing price.

KELER CCP will establish on a case by case basis the collateral value of securities not included in the condition list of accepting securities and foreign exchange collateral.

### **8.4. Compulsory buying-in**

#### **8.4.1. General rules**

Compulsory buying-in of securities can take place if the Clearing Member does not meet the following obligations:

- delivery of securities with T+2 settlement,
- delivery of securities for derivative transactions with physical delivery.

Should the defaulting Clearing Member partly or fully meet its obligation of delivery after the relevant deadline, KELER CCP will continue the already initiated buying-in and will take into account fulfilment by the defaulting Clearing Member only if the given phase of the buying-in is not successful.

If on a given day buying-in needs to be ordered due to several transactions, KELER CCP will order the buying-in from the smaller amounts to the larger amounts with taking into account the last Stock Exchange closing price.

The counter value of the buying-in will be credited to the bank account of the Clearing Member kept with KELER, in case of a credit institution Clearing Member the counter value will be transferred via GIRO to the bank account kept with the MNB.

#### **8.4.2. Compulsory buying-in in case of default related to transactions with multinet settlement**

KELER CCP initiates compulsory buying-in to obtain the missing securities:

- in addition to securities default the defaulting Member fails to have sufficient financial cover (defaulted correction cash transaction), collaterals and securities (on SD)
- in case of BÉTa market securities default if the defaulting Clearing Member fails to inform KELER CCP in line with Point 7.3.2. that it undertakes securities performance until 16:00 hrs. on SD+2 (on SD+1),
- at 11:00 hrs. if the recycled DVP transaction is in default (on SD+2 day).

Compulsory buying-in is first of all executed against the correction amount taken from the defaulting

Member, secondly from the free balance of the bank accounts of the defaulting Member that KELER CCP takes on behalf of the technical bank account of KELER CCP for the settlement of net securities shortage.

If following compulsory buying-in the amount of actual debt is not covered by the financial assets taken from the Clearing Member (in the order of use of guarantee elements), KELER CCP will take the difference against its own financial assets.

### **8.4.3. Compulsory buying-in**

#### **8.4.3.1. General Rules**

In the cases stated in 8.4.2. if there is a default on the securities side of the correction transaction KELER CCP will give an order to purchase the securities concerned on the BSE and the MTS market.

Only the Clearing Member with trading right can get an order that has the highest free balance of the relevant security and that undertakes execution of the transaction in accordance with these Rules. When assessing the free balance of the security KELER CCP will take into account both the securities held by the Clearing Member and those held by its Principals.

The Clearing Member with trading right is obliged to confirm in writing the acceptance or refusal of the order within thirty minutes after receipt of the order. If the Clearing Member does not undertake the order, KELER CCP will continue the selection up to three Clearing Members at most. If confirmation of the order is not received during the above-mentioned period, KELER CCP has the right to revoke the order.

If KELER CCP abandons the order for the above reason, then it is entitled to order execution of the buying-in with another Clearing Member with trading right.

By confirming the order the Clearing Member with trading right consents to KELER CCP blocking the quantity and types of securities specified in the order on the own securities account of the Clearing Member with KELER CCP as beneficiary.

During buying-in part fulfilment is acceptable.

Pending fulfilment of an order KELER CCP has the right to withdraw the order, in this case blocking of the securities will be released.

The Clearing Member authorized with fulfilment of the buying-in shall notify KELER CCP on the result of settlement of the order until 16:45 hrs. on settlement day, in case of settlement day + 2 until 13.00 hrs. With notification on fulfilment of the order, the Clearing Member consents that KELER CCP exercising its right as beneficiary withdraws the quantity of securities indicated in the notification from the account of the Clearing Member.

If KELER CCP does not receive any notification by the above deadline, KELER CCP considers the fulfilment of the order unsuccessful.

KELER CCP will remit the counter value of the buying-in to the Clearing Member performing the Order after fulfilment, on the same day.

For fulfilment of an order 1 % order commission calculated on the price of the securities purchased is to be paid to the Clearing Member with trading right.

#### **8.4.3.2. Compulsory buying-in in case of delisting in the settlement period, termination of structured product**

If due to squeezing-out or delisting the buying-in cannot be performed on the BSE or the MTS market, KELER CCP will act in line with the Chapter on 'Procedure of OTC buying-in' of the present Rules. Deadlines specified in the referred Chapter are exceptions to this rule as with regard to circumstances KELER CCP is entitled to define individual deadlines of which it will inform Clearing Members until 10.00 hrs. via KID. In case of termination of a structured product, the default shall be settled in cash in full at the value the Issuer of the structured product shall be bound to fulfil its settlement commitment as determined in the Final Terms of the structured product.

#### **8.4.3.3. Special rule relating to compensation notes**

In the course of settlement of compensation notes dealt on the Stock Exchange the compensation units are taken receipt of not by KELER but by the investment enterprise, credit institution authorized for this purpose by the issuer of the compensation notes. If due to fault by the investment enterprise, credit institution authorized to take receipt of the compensation notes compulsory buying-in has to be ordered against any Client, the Client is entitled to enforce compensation claims against the institution designated as central storage of the compensation notes.

#### **8.4.4. Procedure of compulsory buying-in outside the regulated market**

If the buying-in is not or not fully successful on the regulated market, KELER CCP will call three but maximum five Clearing Members having the highest free balance of the security concerned to submit a written bid on the missing quantity.

From among the bids received, KELER CCP will accept the best bid (quoting the lowest price). The bid must be given in percentage of the exchange closing price of the previous business day. The bid should contain the securities account on which the bidder makes the security available. By submitting the order, the Clearing Member consents that KELER CCP blocks the quantity and types of securities provided for in the order on its own account with KELER CCP as Beneficiary.

The bids must be submitted to KELER CCP by the time determined by KELER CCP.

Bid can also be submitted for a partial amount. KELER CCP has the right to accept the bid received for a partial amount or to refuse the bid. In case of several bids with the same price, KELER CCP will accept bids from the highest amount to the smallest. In case of several bids for the full amount and several partial bids KELER CCP will accept the bids proportionally.

With the acceptance of bids KELER CCP exercising its right as beneficiary is entitled to give an order to debit the account of the bidder with the blocked securities.

KELER CCP shall remit immediately the counter value of the buying-in to the bidding Clearing Member accepted after the fulfilment.

In case of buying-in by non-BSE order, the Clearing Member cannot have claim to any commission. The bidding Clearing Member cannot have claim to any reimbursement of expenses.

#### **8.4.5. Crediting of the Securities bought in to a consolidated Securities Account**

Based on the right of beneficiary of KELER CCP, KELER will transfer the securities bought in to the technical default securities account of KELER CCP, in case of BSE futures transactions with physical delivery securities will be transferred to the own account of KELER CCP.

#### **8.4.6. Failure of compulsory buying-in**

If KELER CCP is unable to acquire the missing securities in full by buying-in until 16.45 hrs. and the defaulting member does not fulfil its delivery obligation subsequently, in case of multinet settlement KELER CCP shall compensate the Member selected by paying the additional charge of default at the end of the month. In case of derivative transactions with physical delivery, KELER CCP will get the open positions charged off at the settlement price.

### **8.5. Compulsory Sale**

#### **8.5.1. Cases of the Compulsory Sale**

Compulsory sale can be applied in the following cases:

- if the buying Clearing Member fails to meet its obligation for provision of funds by the stipulated deadline;
- if withdrawal and sale of securities collateral of the Clearing Member becomes necessary in respect of one of its transactions.

In case of compulsory sale KELER CCP is entitled to sell at its discretion any of the securities on the own account of the Clearing Member serving as collateral for the non-performed transactions of the Clearing Member, in case of default of Principals any of the securities owned by the Principals named, with consideration to segregation.

Should the defaulting Clearing Member perform after the applicable deadline, KELER CCP shall try to stop the compulsory sale. KELER CCP shall not assume any financial liability for any loss deriving from the compulsory sale of securities of the Clearing Member.

#### **8.5.2. Compulsory Sale on the regulated market**

In case of ordering a compulsory regulated market sale, KELER CCP shall authorize in writing the Clearing Member with trading right selected by it. Pending its fulfilment, KELER CCP has the right to revoke the order.

For execution of the regulated market order the Clearing Member with trading right is entitled to a commission of 1 % calculated on the settlement price of the securities sold.

The Clearing Member is obliged to confirm in writing the order within 30 minutes of its receipt. Should the Clearing Member fail to give the confirmation within the above deadline KELER CCP is entitled to abandon the order with a written statement to the Clearing Member.

If KELER CCP abandoned the order for the above reason, it is entitled to give order for the compulsory sale to a new member. KELER CCP shall give the order for the current business day with the provision that the order will lapse at the end of the day. If the Clearing Member authorized fails to confirm fulfilment of the order within fifteen minutes after close of the market, KELER CCP will consider it as an order not performed. KELER CCP has the right to give a new order to the Clearing Member next day or to give an order to another Clearing Member for the compulsory sale.

The authorized Clearing Member is obliged to report in writing without delay the full or partial fulfilment of the order. The sales price by securities and deals must be indicated in the confirmation.



KELER CCP shall deposit the securities specified in the order confirmed as performed on the securities account of the authorized Clearing Member at a time sufficient for fulfilment.

The Clearing Member is obliged to remit the purchase price arising from the sale, reduced by the commission of order, to the bank account of KELER CCP maintained by KELER on the 3rd day following the compulsory sale.

### **8.5.3. Compulsory Sale outside the regulated market**

KELER CCP will request written bids for purchase of the securities from at least three but maximum five Clearing Members. From among the bids received, KELER CCP will accept the best bid (quoting the highest price).

The bids must be submitted to KELER CCP by the time determined by KELER CCP.

Bid can be made even for a partial amount, KELER CCP has the right to accept the bid received for a partial amount or to refuse it. In case of several bids with the same price, KELER will accept the one referring to the entire amount. In case of several bids with the same price for the entire amount and partial bids, KELER will accept the bids in sequence of their receipt.

In case of acceptance of a bid, the bidder is obliged to submit a contract note in conformity with the terms and conditions of the bid accepted to KELER CCP within thirty minutes following receipt of the notification of acceptance.

The bidding member cannot have claim to any commission or reimbursement of expenses.

The settlement of the transaction is based on a gross value settlement.

## **IX. Energy market non-clearing membership service**

### **9.1. General provisions**

KELER CCP as a general clearing member as defined in the Clearing Regulation of ECC and based on the clearing membership agreement concluded with ECC provides energy market non-clearing membership service to the energy market Non-clearing Members concluding an energy market non-clearing membership agreement with KELER CCP.

By concluding the energy market service agreement, the energy market Non-clearing Member, with the exception of the energy market Non-clearing Member registered in Serbia, orders and authorizes KELER as its account management institution to execute against the account it keeps for the energy market Non-clearing Member the debit order(s) to be submitted in the name of KELER CCP in favor of the bank accounts of the entitled parties. The energy market Non-clearing Member registered in Serbia mandates and authorizes the energy market settlement agent, as its account management credit institution, to execute the debit order(s) submitted on behalf of KELER CCP against the bank account it keeps, in favor of the bank accounts of the beneficiaries.

This section governs the rights and obligations of the energy market Non-clearing Member and KELER CCP related to the energy market non-clearing membership service. The Clearing Regulation of ECC is applicable for issues that are not regulated in these Rules.

The Hungarian law is applicable for the non-clearing membership relation between the energy market Non-clearing Member and KELER CCP and Hungarian courts are the competent courts.

If the energy market Non-clearing Member concluded a separate contract with KELER on the forwarding of data pursuant to Article 9 of EMIR to a trade repository, with respect to the clearing service it provided, instead of the energy market Non-clearing Member, at the request of the energy market Non-clearing Member, KELER CCP complies with the reporting obligation of the energy market Non-clearing Member stated in Article 9. of EMIR related to the data of the derivative trades guaranteed by KELER CCP and the data of modification and termination of these trades. In this case KELER CCP creates automatically the UTI identifier suitable to identify the trade.

KELER CCP is able to meet the reporting obligation of the energy market Non-clearing Member if the energy market Non-clearing Member has a LEI code.

### **9.2. Market involved in energy market non-clearing membership service**

KELER CCP provides energy market non-clearing membership service related to the markets guaranteed by the ECC.

### **9.3. Energy market non-clearing membership relationship**

The energy market non-clearing membership relation is established by the execution of the energy market non-clearing membership service agreement by KELER CCP and the energy market Non-clearing Member. By concluding the energy market non-clearing member service agreement the energy market Non-clearing Member becomes entitled to use the energy market non-clearing membership service provided by KELER CCP.

#### **9.3.1. Establishment and preconditions of energy market non-clearing membership relationship**

The preconditions of energy market Non-clearing Members concluding the energy market non-clearing membership service agreement are as follows:

- a) License by MEKH, MNB for the activity or for non-resident energy market Non-clearing Members and branches the license of the competent foreign supervision if the Non-clearing Members undertake activity subject to supervisory license,

- b) Compliance with the requirements on shareholders' equity herein stated,
- b)c) Submission of the filled Know Your Customer questionnaire.
- e)d) Concluding the Service Agreement with KELER or in the case of energy market Non-clearing Member registered in Serbia registration by the energy market settlement agent related to the use of the service,
- e)e) trading membership,
- e)f) Trilateral non-clearing membership agreement signed by ECC and KELER CCP.

For the purpose of checking compliance with requirements on shareholders' equity the applicant energy market Clearing Member is obliged to submit to KELER CCP prior to concluding the agreement the audited balance sheet and profit and loss statement of the previous year.

If the applicant energy market Non-clearing Member does not have audited financial statements, KELER CCP is entitled to require Additional Financial Collateral to the extent determined in the applicable Announcement.

If the applicant energy market Non-clearing Member was registered not earlier than six months before the application is submitted or the applicant is established in the year of application, KELER CCP will dispense with the sending of the audited balance sheet and the profit and loss statement, and, if no information to the contrary is available, it will take into account the subscribed capital (equity capital or share capital) stated in the certificate of incorporation made available to it until the deadline stated in the regulations to provide the subject period audited balance sheet and profit and loss statement.

Upon the assessment of the energy market non-clearing membership application KELER CCP is entitled to take into account risk-based, other objective aspects also:

- Supervisory fines, orders,
- payment discipline in the past.

If KELER CCP has taken into account the basic financial collateral to be composed by the energy market Non-clearing Member during the performance of the shareholders' equity requirements, according to point 9.5.2.1, then the energy market Non-clearing Membership request is approved conditionally. The applicant energy market Non-clearing Member is obliged to meet its basic financial collateral requirements within 15 days of the conditional approval. In case of non-performance of the ordered basic financial collateral until the deadline, the contract does not come into force. In case of performance of the basic financial collateral until the deadline, the contract comes into force with the same effect as the conditional approval did.

KELER CCP is entitled to refuse to execute the agreement with the applicant if the applicant cannot evidence without doubt that the conditions herein stated are met. Refusal can be based on risk-based, objective aspects also. Furthermore KELER CCP is entitled to refuse to execute the agreement with the applicant also if in the previous 12-month period the applicant or its legal predecessor had energy market non-clearing membership legal relationship that KELER CCP terminated due to repeated default or violation of other energy market non-clearing member obligations. Non-compliance with the conditions herein determined has inherent additional risk that endangers the reliable and efficient operation of the guarantee undertaking and the clearing system.

If a negative decision is made the applicant receives written notice on the refusal of agreement execution and related reasons within 30 days of receipt of the application by KELER CCP.

If the applicant submits to KELER CCP written remarks on the reasons of refusal within 30 days of receipt of the notice on refusal, KELER CCP responds to the remarks within 15 days. The applicant is entitled to submit the application repeatedly without any deadline if such repeated submission fully takes into account the provisions of these Rules and the notice on the rejection

of the earlier application.

The filling of the Know Your Customer questionnaire required for the emergence of the Gas market Clearing Member legal relationship, is regulated by the respective Announcement of KELER CCP.

### **9.3.2. Suspension of energy market non-clearing membership at request**

The energy market Non-clearing Member is entitled to request in writing the suspension of its energy market non-clearing membership. The condition of suspension of the energy market non-clearing membership at request is that the energy market Non-clearing Member meets all obligations resulting from energy market clearing and has no open position prior to the effective date of the suspension.

At request the energy market non-clearing membership can be suspended for a maximum period of 6 months. If until the end of the 6th month following suspension the energy market Non-clearing Member fails to give written instruction on its non-clearing membership (i.e. it fails to request restoration or termination of membership), KELER CCP is entitled to terminate the energy market non-clearing membership contract in writing with immediate effect.

During the term of suspension of the energy market non-clearing membership at request the energy market Non-clearing Member is obliged to continuously meet energy market basic financial collateral requirements. If the energy market Non-clearing Member fails to meet this obligation, KELER CCP is entitled to terminate the energy market non-clearing membership contract in writing, with immediate effect.

### **9.3.3. Termination of energy market non-clearing membership relationship**

The energy market non-clearing membership relationship can be terminated pursuant to the energy market non-clearing membership agreement as follows:

Cases of termination:

- a) At the request of the energy market Non-clearing Member,
- b) By KELER CCP, pursuant to authorization by these Rules in the following cases:
  - ba) in case of energy market Non-clearing Member revocation by MEKH or by the competent foreign supervisory of the activity license,
  - bb) ordinary termination of the energy market non-clearing membership service agreement by KELER herein defined,
  - bc) termination of the KELER CCP, KELER, energy market settlement agent and ECC agreements necessary for energy market non-clearing membership.
- c) In cases defined in the ECC Clearing Regulation.

Termination at the request of the Non-clearing Member in the energy market of the non-clearing member legal relationship can be completed after energy market clearing obligations (including payable fees) are met.

The legal relationship of the energy market Non-clearing Member is terminated if the Non-clearing Member concerned fails to settle energy market clearing payables towards KELER and KELER CCP for 3 month. In this case KELER CCP terminates the energy market non-clearing membership agreement in writing.

An additional condition of termination of the energy market non-clearing membership agreement is receipt or confirmation by ECC of the KELER CCP notice given.

If KELER CCP terminates the energy market non-clearing membership agreement, the energy market Non-clearing Member and KELER CCP are obliged to settle accounts with one another.

Until accounts are settled KELER CCP is entitled to continue to manage collaterals provided by the energy market Non-clearing Member and to use them in the interest of settlement. Accordingly, the energy market Non-clearing Member is entitled to dispose over the collateral it provided only after the accounts are settled with KELER CCP. The energy market Non-clearing Member is obliged to meet obligations undertaken prior to termination and to meet changes to the obligations that occur prior to final settlement.

#### **9.4. Clearing right related to energy market non-clearing membership service**

Based on the energy market non-clearing membership legal relationship established the clearing right of the energy market Non-clearing Member is established, pursuant to which it is entitled to use the energy market non-clearing membership service provided by KELER CCP.

##### **9.4.1. Establishment of clearing right related to energy market non-clearing membership service**

Following execution of the energy market non-clearing membership contract the Non-clearing Member is entitled to exercise the energy market clearing right only in respect of markets to which the energy market contract entitles it and in relation to which it provided the financial collaterals required.

##### **9.4.2. Suspension of the clearing right related to energy market non-clearing membership**

KELER CCP suspends the clearing right and is entitled to suspend the clearing right in cases herein defined, furthermore if the provisions of the General Business Rules and Depository Announcements of KELER are not complied with.

If the clearing right is suspended KELER CCP initiates with ECC to suspend the trading right of the energy market Non-clearing Member, which is also advised to the energy market Non-clearing Member. The suspended energy market Non-clearing Member cannot make energy market transactions and is obliged to withdraw immediately the offers entered by itself in the bid book of the trading system.

If the clearing right is suspended the energy market non-clearing membership service relationship continues to be in force, thus after suspension of the clearing right the energy market Non-clearing Member continues to be responsible for the settlement of energy market transactions and continues to be responsible to provide the required margins and collaterals.

##### **9.4.2.1. Obligatory suspension of clearing right related to the energy market non-clearing membership service agreement**

KELER CCP suspends the clearing right of the energy market Non-clearing Member in the following cases:

- a) insufficient amount of the required collateral,
- b) for energy market Non-clearing Member non-contractual fulfilment of daily settlement,
- c) suspension of the energy market Non-clearing Member by MEKH or by the competent foreign supervisory, blocking of account,
- d) bankruptcy, liquidation proceedings pursuant to the Cstv. or proceedings resulting in the appointment of a temporary receiver are started against the energy market Non-clearing member,
- e) termination of the KELER CCP, KELER, energy market settlement agent and ECC agreements necessary for energy market non-clearing membership,
- f) decision by ECC,
- g) shareholders' equity requirement not met.

#### **9.4.2.2. Right to suspend the clearing right related to energy market non-clearing membership service**

KELER CCP is entitled to suspend the clearing right of the energy market Non-clearing Member in the following cases:

- a) non-contractual performance of fee payment obligation,
- b) in case of limit excess,
- c) if the energy market Non-clearing Member fails to meet the deadline for sending the audited balance sheet and profit and loss statement until the 15th day following the deadline,
- d) if the audited balance sheet has a rejecting, limiting or suspension clause added,
- e) if the energy market Non-clearing Member fails to submit the filled Know Your Customer questionnaire until the fifteenth day following the deadline,
- ~~e)f)~~ if the energy market Non-clearing Member fails to meet predefined reporting obligations,
- ~~f)g)~~
- ~~g)h)~~ due to the noticed increase in the risk of the energy market Non-clearing Member.

After exercising the right of consideration, at its discretion KELER CCP makes a decision that depends on the extent of the impact the default concerned has on KELER CCP and on the commitment taken towards ECC and the energy market Non-clearing Members and the resulting level of threat.

#### **9.4.2.3. Termination of clearing right related to the energy market non-clearing member service**

With the termination of the energy market non-clearing membership legal relation of the energy market Non-Clearing Member the clearing right of the energy market Non-clearing Member is also terminated.

### **9.5. Obligations of the energy market Non-clearing Member and sanctions if obligations are not met**

#### **9.5.1. General obligations and sanctions if general obligations are not met**

##### **9.5.1.1. Obligations of the energy market Non-clearing Member**

The energy market Non-clearing Member is obliged to:

- a) continuously maintain the activity license granted by MEKH or the competent foreign supervisory,
- b) conclude and continuously maintain with KELER CCP the agreement necessary to start and continue the energy market non-clearing membership activity,
- c) continuously maintain the accounts required for settlement in line with the General Business Rules of KELER or in the case of energy market Non-clearing Member registered in Serbia continuously maintain the accounts opened by the energy market settlement agent,
- d) continuously comply with the shareholders' equity, limit reporting and other requirements defined in these Rules,
- e) continuously ensure that own account transactions concluded in the energy market are performed in line with the provisions herein stated,
- f) provide the margins, financial collaterals required by KELER CCP in the amount, form and by the deadline stated in these Rules, the Announcements and the Lists of Conditions, additionally meet the requirements stated in the General Business Rules and Depository Announcements of KELER,
- g) join the KID system,
- h) comply with the provisions of the ECC Clearing Regulation.

#### **9.5.1.2. Rights of KELER CCP if the energy market Non-clearing Member fails to meet obligations**

If the energy market Non-clearing Member fails to meet its obligations herein stated KELER CCP is entitled to:

- a) define additional financial collateral for the energy market Non-clearing Member,
- b) suspend the clearing right of the energy market Non-clearing Member,
- c) in the cases herein defined terminate it with extraordinary termination.

Sanctions applied by KELER CCP – except for termination – will become void on the clearing day following receipt of the documentation confirming termination of the reason of the sanctions.

#### **9.5.1.3. Rights of KELER CCP if energy market Non-clearing Member related risk increase is noticed**

KELER CCP establishes the fact of 'noticed increase in the risk of the energy market Non-clearing Member in the course of regular or extraordinary counterparty rating. KELER CCP informs the energy market Non-clearing Member concerned on rating that is followed by case by case measures and the measures applied, however, the methodology and the result of rating are to be treated as confidential information.

KELER CCP is entitled to take the following measures if energy market Non-clearing Member related risks are observed to increase:

- define additional financial collateral for the energy market Non-clearing Member,
- complete on site investigation at the energy market Non-clearing Member or initiate investigation and action by MEKH.

If risks are observed to increase, measures taken by KELER CCP cannot be considered sanctions implemented due to violation of energy market Non-clearing Member obligations, measures are taken due to the relatively higher estimated counterparty risk level only.

If KELER CCP is of the opinion that the energy market Non-clearing Member will be unable to meet future obligations, in the interest of the security of the market it immediately informs the competent authority before starting the default procedure.

#### **9.5.2. Shareholder's equity requirements and sanctions if the requirement is not met**

##### **9.5.2.1. General requirements**

Shareholders' equity requirements applicable to the energy market Non-clearing Member are as follows:

	Energy market	
	Day-ahead market	Futures market
Energy market Non-clearing Member clearing for own account	HUF 75 million	HUF 75 million

In case of non-resident energy market Non-clearing Members KELER CCP calculates the shareholders' equity value at the MNB exchange rate valid on balance sheet date.

In case of energy market Non-clearing Members operating as branch offices KELER CCP examines and relies on the shareholders' equity of the non-resident enterprise operating in the EGT that established the branch office.

When checking compliance with the shareholders' equity requirements KELER CCP takes into account the actually paid in capital as stated in the balance sheet provided to KELER CCP by the energy market Non-clearing Member as part of the reporting obligation, modified with the subscribed capital increase or decrease documented by the energy market Non-clearing Member.

Energy market Non-clearing Members are required to inform KELER CCP on the increase or decrease of subscribed capital without delay.

KELER CCP establishes the amount of subscribed capital increase or decrease based on the by-laws, articles of incorporation modified and provided to KELER CCP and the request of change submitted to the Court of Registration.

When checking energy market non-clearing membership criteria KELER CCP takes into consideration the decrease of subscribed capital immediately after receiving notice thereon.

During the performance of the shareholders' equity requirements, the basic financial collateral to be composed by the energy market Non-clearing Member according to point 9.7.3. can be taken into account. In this case, sanctions stated in point 9.5.2.2. and 9.5.3.2. apply to the adjusted sum.

In case of those energy markets, on which the application of trading limits is possible, and those have been listed in the Announcement published by KELER CCP, KELER CCP -besides the application of obligatory limits - is entitled to disregard the application of sanctions stated in point 9.5.2.2. and 9.5.2.3. with respect to the non-performance of the energy market Non-clearing Member regarding shareholders' equity requirements.

#### **9.5.2.2. Sanctions if client with energy market non-clearing membership fails to meet shareholders' equity requirements**

If the shareholders' equity of the client with existing energy market non-clearing membership is less than the required amount, KELER CCP takes the following steps:

a) In addition to suspending the clearing right KELER CCP requires supplementary collateral the extent of which covers the additional risk arising from the lack of capital. If compliance with the energy market non-clearing membership capital requirement (shareholders' equity or capital supplement added) is confirmed, KELER CCP takes measures immediately to restore the clearing right. [For the fulfilment of the supplementary collateral determined for the compensation of the lack of capital, KELER CCP accepts bank guarantee from non-financial clients irrespective of the market.](#)

b) If the energy market Non-clearing Member fails to meet the obligation stated in a) above, KELER CCP terminates the energy market non-clearing membership service contract immediately, with extraordinary notice.

#### **9.5.2.3. Sanctions if shareholders' equity requirements of new clearing member are not met**

If the shareholders' equity of a Non-clearing Member entering the energy market does not reach the level defined in this section, KELER CCP requires supplementary collateral the extent of which covers the additional risk arising from the lack of capital.

#### **9.5.3. General reporting obligations and sanctions if obligations are not met**

The energy market Non-clearing Member is obliged to provide to KELER CCP its audited balance sheet and profit and loss statement, with the report of the auditors and the notes on the



accounts until 30 June after the end of the subject year. The energy market Non-clearing Member is obliged to submit the Know Your Customer questionnaire every year, until the 30<sup>th</sup> June of the year.

The energy market Non-clearing Member is obliged to provide to KELER CCP the balance sheet and the profit and loss statement in line with the format required by prevailing legal regulations, in original, signed by duly authorized signatories or in an equivalent document in electronic format and simultaneously sending them in an electronic format table with content in line with legal regulations.

The energy market Non-clearing member is obliged to forward the questionnaire to KELER CCP, in the way defined in the respective announcement of KELER CCP.

KELER CCP may require additional financial collateral from the energy market Non-clearing Member failing to meet the reporting obligation from the clearing day after the reporting deadline.

If the energy market Non-clearing Member fails to submit the annual balance sheet and profit and loss statement and the filled Know Your Customer questionnaire until the fifteenth day after the reporting deadline, KELER CCP is entitled to

- a) suspend the clearing right of the energy market Non-clearing Member and
- b) require further additional financial collateral from the energy market Non-clearing Member

until receipt of the documents required.

If the energy market Non-clearing Member submits documents not in line with the document format required, that is the balance sheet is not complete, the annual financial statement is not audited or there is a rejecting, limiting or suspending clause in the audit report, KELER CCP requires additional financial collateral from the energy market Non-clearing Member or makes a decision and decides on the suspension of related sanctions or suspends the clearing right of the energy market Non-clearing Member.

#### **9.5.4. Clearing and collateral provision obligation and sanctions if the obligation is not met**

The energy market Non-clearing Member is obliged to act in line with the provisions of these Rules in the interest of energy market transaction clearing and settlement and meet energy market settlement and collateral provision obligations.

If the settlement and collateral provision obligation is not met, KELER CCP is entitled to require additional financial collateral from the energy market Non-clearing Member or to suspend its clearing right.

If default by the energy market Non-clearing Member is repeated within ninety days KELER CCP may require additional financial collateral that KELER CCP reviews semi-annually at the request of the energy market Non-clearing Member, additionally in this case KELER CCP is entitled to terminate the energy market Non-clearing Membership agreement concluded with the energy market Non-clearing Member with a notice period of one clearing day.

#### **9.6. Limits and sanctions if limits are not observed**

In line with the provisions of the exchange regulations of the markets listed under the definition Energy market in this document and the provisions of the clearing regulation of the ECC KELER CCP may define limits for Non-clearing Members.

Limits are determined in line with internal regulations.

If limits are violated, KELER CCP may require additional financial collateral.

## 9.7. KELER CCP guarantee system in the energy market

### 9.7.1. General provisions

The energy market Non-clearing Member is obliged to provide the margins, collaterals as stated in this section as collateral of energy market transaction performance in line with the requirements of KELER CCP in the account kept by KELER or the energy market settlement agent. Margins and collaterals provided by the energy market Non-clearing Member are bail for KELER CCP.

In case of default by the energy market Non-clearing Member KELER CCP can directly satisfy its receivables arising from the performance of energy market transactions against the bail.

Based on the agreements concluded with KELER, KELER registers collaterals provided and verifies collaterals of energy market Non-clearing Members.

KELER CCP defines the collateral requirements of energy market Non-clearing Members as the sum of the following collateral types:

- a) basic financial collateral,
- b) energy market initial margin,
- c) energy market turnover margin,
- d) supplementary collateral,
- e) additional financial collateral.

KELER CCP publishes in Announcement the parameters and algorithm of collateral calculation, except for those applicable to additional financial collateral.

Collateral can be provided in the following liquid assets:

- a) HUF amount.
- b) Foreign currency amount.
- c) Securities free and clear of all liens, claims and encumbrances, blocked with the beneficiary status of KELER CCP, included in and in line with the provisions of the KELER CCP public List of Conditions on acceptance of securities and foreign exchange.
- d) Bank guarantee in line with the KELER CCP terms of acceptance of bank guarantees. KELER CCP accepts bank guarantees solely from the non-financial client and for markets where only non-financial products are traded.
- e) Bank guarantees accepted and submitted in accordance with the Clearing Conditions of ECC.

KELER CCP may restrict the form of collateral by collateral type:

- a) for products with foreign currency settlement KELER CCP defines the collateral in Euro.
- b) KELER CCP accepts bank guarantees as for the fulfilment of energy market turnover margin and as energy market initial margin, as or supplementary collateral and as additional financial collateral.

KELER CCP applies the foreign exchange rate of MNB valid on the value date concerned to evaluate foreign currency collaterals.

KELER CCP introduces concentration limits for the collateral instruments provided to meet energy market clearing member collateral requirements and the types of collateral instruments. KELER CCP publishes the actual values of concentration limits in its List of conditions on accepting securities and foreign exchange and the List of conditions on accepting bank guarantee collateral depending upon the collateral type. The limits can apply to individual issuer, issuer type, instrument type, and individual energy market Clearing Member and all energy market Clearing Members also. For limit purposes all collateral instruments blocked as collateral in favor of KELER CCP are taken into account at the actual value of acceptance.

KELER CCP does not accept securities as collateral for the energy market Clearing Member concerned issued by the energy market Clearing Member or by the legal person in the same group of companies.

KELER CCP accepts bank guarantees solely from non-financial contractual parties and for markets where only non-financial products are traded.

KELER CCP does not accept bank guarantees issued by one bank or by banks in the same group where the share of bank guarantees issued by the bank (group) concerned would exceed 10% of all individual collateral instruments registered. If the bank guarantee issued by one bank (group) exceeds 10% of all individual collateral instruments provided by the Clearing Members and the energy market Clearing Members in favor of KELER CCP, KELER CCP takes into account all bank guarantees issued by the bank (group) concerned as collateral at a reduced value required to observe the limit.

#### **9.7.2. Order of providing collateral**

KELER checks availability of collateral based on the agreement concluded with KELER CCP.

These Rules and the Announcements of KELER CCP contain the detailed order of providing collateral. Pursuant to these KELER CCP completes the following tasks:

- a) Decision on suspension of clearing right,
- b) Defining eligible instruments,
- c) Defining the detailed conditions of accepting collateral.

#### **9.7.3. Basic financial collateral**

For the settlement of energy market transactions the Clearing Member has to provide basic financial collateral continuously.

Basic financial collateral can be withdrawn only upon suspension of the energy market non-clearing membership relationship.

Basic financial collateral is to be provided on the energy market basic financial collateral technical account of KELER CCP.

KELER CCP publishes the basic financial collateral defined and any changes thereto in an Announcement at least ten clearing days prior to the effective date.

#### **9.7.4. Additional financial collateral**

KELER CCP is entitled to require additional financial collateral from an energy market Non-clearing Member in the cases herein defined.

KELER CCP defines the amount of additional financial collateral at the latest until the subject day before performance and informs the energy market Non-clearing Member thereon.

If the energy market Non-clearing Member fails to meet the requirement to provide additional financial collateral KELER CCP initiates the suspension of the clearing right of the energy market Non-clearing Member. Additionally, KELER CCP is entitled to terminate the agreement concluded with the energy market Non-clearing Member with a notice period of one clearing day.

#### **9.7.5. Supplementary collateral**

KELER CCP is entitled to impose supplementary collateral on any energy market Non-clearing Member in the cases herein defined.

KELER CCP determines the amount of supplementary collateral not later than the subject day before fulfilment and informs the energy market Non-clearing Member thereof.

If the energy market Non-clearing Member fails to meet the obligation to provide supplementary collateral, KELER CCP initiates the suspension of the clearing right of the energy market Non-clearing Member. Additionally, KELER CCP is entitled to terminate the agreement concluded with the energy market Non-clearing Member with a notice period of one clearing day.

#### **9.7.6. Energy market initial margin**

KELER CCP defines initial margin for open positions in physical futures transactions. The energy market initial margin is defined in line with the calculation frequency and algorithm applied at the ECC. KELER CCP publishes the amount and detailed rules of providing the turnover margin required in Announcement.

KELER CCP reserves the right to change the margin requirement if risks change, even several times during the day, with payment deadline during the same day, in a manner that is not in line with the method and frequency applied by the ECC.

The energy market initial margin daily margin settlement is completed in line with the provisions of the Announcement published by KELER CCP.

#### **9.7.7. Energy market turnover margin**

KELER CCP defines energy market turnover margin based on the turnover of energy market transaction turnover.

Energy market turnover margin is defined in line with the frequency calculated by ECC by taking into account the turnover data of the previous period defined by ECC.

KELER CCP publishes the amount of required turnover margin and detailed rules on providing it in an Announcement.

KELER CCP reserves the right to change the margin requirement if risks change, even several times during the day, with payment deadline during the same day, in a manner that is not in line with the method and frequency applied by the ECC.

The settlement of the energy market initialturnover margin ~~daily margin settlement~~ is completed in line with the provisions of the Announcement published by KELER CCP—, having considered the accepted and submitted bank guarantees in accordance with the Clearing Conditions of ECC.

#### **9.7.8. Settlement of variation margin**

In case of physical futures transaction the first day variation margin is the difference of the trade price and the settlement price / closing price of T day. Thereafter the variation margin of the clearing day concerned equals the difference of the daily closing price / settlement price and the closing price / settlement price of the previous clearing day.

With physical futures positions KELER settles both positive and negative variation margin on the own FX settlement bank account kept for the energy market Non-clearing Member, with the exception of the energy market Non-clearing Members registered in Serbia, in this latter case settlement is performed in the accounts managed by the energy market settlement agent.

#### **9.7.9. Obligation to perform undertaken by KELER CCP**

If the guarantee elements described in this section are insufficient, KELER CCP uses other financial resources to honors obligations related to the financial performance of transactions concluded in the energy market.

## **9.8. Use of guarantee elements**

### **9.8.1. General provisions**

The energy market Non-clearing Member is responsible at all times for performance, therefore all defaults are considered default by the energy market Non-clearing Member.

When using guarantee elements KELER CCP takes into account other collateral provided by the energy market Non-clearing Member to KELER or deposited with the energy market settlement agent.

In the interest of taking securities provided as collateral KELER CCP takes into account government securities in the first place, stock exchange securities included in the List of Conditions on accepting securities and foreign exchange in the second place, then stock exchange securities not included in the List of Conditions on accepting securities and foreign exchange in the third place and lastly securities not listed on the stock exchange.

The value of securities included in the List of Conditions on accepting securities and foreign exchange is established in line with the prevailing List of Conditions on accepting securities and foreign exchange. If the value of the securities listed on the stock exchange is not included in the prevailing List of Conditions of KELER CCP on accepting securities and foreign exchange, the value of the securities concerned shall be defined as 60 % of the last stock exchange closing price.

KELER CCP defines one by one the value of securities that are not listed and are not included in the List of Conditions on accepting securities and foreign exchange either.

For the purpose of creating temporary liquidity KELER CCP is entitled to conclude securities repurchase (repo) transaction for the securities in the securities account opened to register collateral taken. KELER CCP bears the costs of making the securities repurchase agreement; the guilty member is responsible to pay only the default fees pursuant to these Rules and the Fee Schedule.

If securities taken as collateral are not sufficient, KELER CCP draws down the bank guarantees provided by the energy market Non-clearing Member that are available to KELER CCP.

### **9.8.2. Use of guarantee elements in case of energy market transaction default**

In case of default related to the settlement of energy market transaction the energy market clearing guarantee system is used in the order as follows:

- balance of the energy market Non-clearing Member own bank account in the currency of settlement,
- own energy market initial margin, turnover margin and financial collaterals of the energy market Non-clearing Member,
- own freely available securities and/or bank guarantee of the energy market Non-clearing Member,
- free balance of bank accounts of the energy market Non-clearing Member that are kept in currencies other than the currency of settlement ,
- other financial resources of KELER CCP

## **9.9. Default management**

Energy market default occurs if the energy market Non-clearing Member obliged fails to meet financial, margin or other obligations in accordance with the method or deadline defined in the these Rules.

When managing default KELER CCP acts in line with the provisions of Chapter V. and Point 7.3.5. of these Rules with regard to energy market Non-clearing Members.

#### **9.10. Basic default fee**

In case of default beyond the due date, in addition to the late fee KELER CCP charges the basic default fee amount stated in the Fee Schedule to the defaulting energy market Non-clearing Member, the energy market Non-clearing Member is required to pay it based on the fee invoice for the subject month.

#### **9.11. Late fee**

In case of default KELER CCP charges a one time late fee to the defaulting energy market Non-clearing Member that the energy market Non-clearing Member is obliged to pay based on the fee invoice issued by KELER CCP for the subject month.

#### **9.12. Compulsory provision**

In line with the provisions of these Rules KELER CCP applies compulsory provisions to promote energy market performance.

When applying compulsory provisions KELER CCP acts in line with the requirements of Points 8.1., 8.3. and 8.5. of these Rules with regard to energy market Non-clearing Members.

## **X. Clearing of spot transactions made in the commodities section**

### **10.1. General provisions**

Spot transactions in the commodities section can be made for the products stated in the List of Products of the BSE.

In case of a spot transaction the Clearing Member does not provide separate financial collateral to KELER CCP in relation to the deal made. The Regulations of the BSE govern legal remedies in case of default by the buyer or the seller. The deal is directly made between the Clearing Members, rights and obligations originating from the sale and purchase agreement are exercised by the seller and the buyer.

Spot transactions in the commodities section can only be made by completing a form contract in the trading period determined by the BSE. The BSE registers valid contracts and sends them to KELER CCP. KELER CCP confirms spot transactions made in the stock exchange trade confirmation.

### **10.2. Payment of purchase price of spot commodities transaction**

The buyer shall remit the gross amount of the purchase price including VAT of the commodities as shown in the agreement related to the sale of the commodities to its purchase price deposit sub-account until 12:00 hrs. on T+3 day (in case of credit institution the purchase price is to be transferred to the central purchase price deposit account of KELER CCP).

For the purpose of identification the date of the spot sales contract stated in the stock exchange trade confirmation must be indicated in the payment order, indicating the product and the contractual counterparty. On the clearing day after crediting the purchase price KELER CCP will notify the selling Clearing Member on the fact that delivery can be started.

### **10.3. Position cancellation after physical fulfilment**

Following fulfilment of the contract KELER CCP will remit the counter value of commodities and documented costs to the account given by the Clearing Member on the basis of joint declaration by the selling and buying Clearing Members as well as the copy of invoice issued on the transaction in accordance with regulations, on the second clearing day after receipt of the confirmation.

## **XI. Complaint management, sanctions and remedies applied by KELER CCP**

### **11.1. Complaint management**

The Procedure on complaint management that is continuously available on the website of KELER CCP contains the rules of assessing complaints received from Clients.

### **11.2. Sanctions**

In case of failure to meet any obligation of Clients or in case of any increase of risks noticed KELER CCP shall apply the sanctions specified in the present Rules.

Exclusively an individual decision relating to the Clients, Non-clearing Members and Principals can be considered as a sanction.

### **11.3. Remedy**

The Client can resort to remedy against a sanction imposed by KELER CCP as follows:

- an application for remedy must be submitted in writing addressed to the Chief Executive Officer of KELER CCP as the person ordering the sanction within 30 days after becoming aware of the sanction considered damaging,
- submission of an application for remedy has no delaying force to the execution.

The application for remedy submitted will be checked by the General Manager imposing the sanction in its own jurisdiction and the General Manager makes a decision to accept the application or forward it to the Board of Directors.

If the General Manager of KELER CCP does not agree with the claim for remedy against the sanction taken by him, he will put it on the agenda of the next Board of Directors meeting. When discussing the application the Board of Directors has the right to give a hearing to the applicant. The Board of Directors shall make decision within 60 days from receipt of the application.

The Board of Directors is entitled to keep in force, repeal and change the decision made by the Chief Executive Officer.

KELER CCP shall inform the applicant in writing on the remedy decision within 8 days from making the decision.

### **11.4. Rules of compensation, liability rules**

KELER CCP shall compensate its Client for any direct material damage caused by KELER CCP's fault by evidence of the Client which damage occurs directly within the scope of KELER CCP's activity in a manner imputable to KELER CCP.

In case of default of transactions with multinet settlement, KELER CCP assumes responsibility to the guiltless Member only up to the extent of indemnity stipulated in the current Rules.

KELER CCP assumes no liability for any damage, financial loss, lost profit or any non-material injury



which have not arisen within the scope of activity performed by KELER CCP pursuant to the laws or these Rules.

When determining its fees KELER CCP will consider the limitation of its liability for damages laid down in these Rules.

KELER CCP shall not assume liability:

- for any damage caused by Act of God, Act of State, by unjustified refusal or delayed granting of an authority license,
- for any damage caused by default of delivery by post,
- for damages resulting from delayed fulfilment due to shorter time available for fulfilment than necessary,
- for any damage caused by default of any notification obligation by the Clearing Member;
- for any application error, disturbance, technical difficulty, misuses that may occur on the side of the Clearing Member during communication.

The Client is responsible for any damage caused by default of any notification obligation.

The Clearing Member is obliged to call its Principals' attention to the fact the security deposited as collateral may be used as bail. The Clearing Member is responsible for any damage caused by failure to meet this obligation.

KELER CCP does not assume liability for eventual damages, penalties resulting from such failure and will pass them to the Clearing Member in all cases.

## **XII. Agreement concluded pursuant to Act XXIII of 2003 on settlement finality in payment and securities settlement systems**

### **12.1. General provisions**

In this section KELER CCP determines the rules of the cooperation established for the participants specified in the Tvt. of the settlement system stipulated in the Tpt. to ensure settlement finality and to decrease the risks arising from the insolvency proceedings against any participant of the system.

The conditions of entering the System can be met by providing to KELER the documents and data determined in Point 12.4. of the agreement concluded by KELER CCP and KELER.

### **12.2. Participant in the System**

From among the clients of KELER CCP the Participants of the System herein determined are as follows:

- a) the credit institution as defined in the Hpt.,
- b) the investment firm as defined in the Bszt.,
- c) the Government Debt Management Agency,
- cd) the credit institution, investment firm with registered seat in other member states of the European Union and other institutions that can be a participant of the system in other member states,
- de) the credit institution of a third country that meets the provisions stated in Point 44. of Chapter III of Annex 2. of the Hpt. or the investment firm of a third country that meets the provisions of Section 4 (2) 39. of the Bszt.

### **12.3. Indirect Participant**

KELER CCP considers the person Indirect Participant that has a contractual relationship with any Participant to execute its transactions and is named as indirect participant by the Participant in the form contract concluded with KELER CCP or on the relevant form (Non-clearing Member / Segregated Non-clearing Member, Segregated principal registration form). The Client using Settlement Agent is also considered Indirect Participant.

The herein determined rules governing the transfer orders of the Participant of the System and the invulnerability of collateral apply to the Indirect Participant also until the Participant states in writing that the transactions it sent for settlement do not include transactions of the Indirect Participant subject to insolvency proceedings, that is the transactions of the Indirect Participant subject to insolvency proceedings are handled separately. In the case of insolvency proceedings against the Client using Settlement Agent KELER CCP applies the above described to the Settlement Agent, thus the Settlement Agent has to state to KELER CCP that the transactions it sent for settlement do not include transactions of the Indirect Participant subject to insolvency proceedings, that is the transactions of the Indirect Participant subject to insolvency proceedings are handled separately. The statement template is available at the web site of KELER CCP ([www.kelerkszf.hu](http://www.kelerkszf.hu)).

If KELER CCP takes the measures described in this Section against the Participant because the Indirect Participant reported by the Participant is subject to insolvency proceedings, KELER CCP is obliged to inform the BSE, EuroMTS, KELER, the MNB and GIRO on this fact.

If the Participant concerned stated to KELER CCP that it handles the transactions of the Indirect Participant separately, KELER CCP immediately terminates the measures taken against it and informs the BSE, EuroMTS, KELER, the MNB and GIRO accordingly.

#### **12.4. Joining the System**

In line with the cooperation agreement concluded by KELER and KELER CCP the conditions of joining the System are as follows:

- submitting to KELER the documents stated in Point 2.3.1.1.1. of the General Business Rules of KELER, and
- providing to KELER the data stated in Point 12.6. of these Rules..

#### **12.5. KELER CCP as System operator**

##### **12.5.1. Tasks and responsibilities of the System operator**

- a) completes the tasks of the settlement party in the System,
- b) submits the application for appointment,
- c) notifies the appointing authority on changes to the conditions of appointment,
- d) registers at the court and the authority competent to proceed to receive notifications relating to insolvency proceedings,
- e) keeps contact with the court and the authority competent to proceed,
- f) notifies the court and the authority competent to proceed on the registration of the System, the data of the Participants stated in legislation and on changes to these data,
- g) makes the notifications and presents the documents stated in the Tvt.,
- h) keeps the records stated in the Tvt.,
- i) creates, maintains the rules of procedure of Participants necessary for the implementation of the agreement, informs the appointing authority on any amendment to the agreement,
- j) obliged to keep records and retain them for five years to allow the court or the authority entitled to proceed to check retrospectively also the content and time of receiving (year, month, day, and hour, minute) of the notice on the start of the insolvency proceedings. KELER CCP ensures the invulnerability of data during the storage of the content and the time of receipt of the notices.

As part of keeping contact with the court and the authority entitled to proceed KELER CCP is obliged to

- a) inform them in writing on the persons appointed to receive the notice on the insolvency proceedings, including their job titles and contact details;
- b) inform them in writing within 15 days on the data of the Participants and on related changes.

KELER CCP publishes at its web site the name and contact details of the person designated to receive notices.

### **12.5.2. Tasks of the System Operator in case of notice on insolvency proceedings**

In line with Section 4 (1) of the Tvt. the execution and settlement netting of orders received until the notice on the insolvency proceedings is taken receipt of can be completed and are unappealable regardless of the opening of the proceedings to restrict payment against the Participant. In line with Section 4 (2) of the Tvt. this is applicable to the opening of insolvency proceedings against the participant of linked system (System link) and the system operator of the system link that is not considered participant.

Immediately upon receipt of the notice on the insolvency proceedings, but not later than within thirty minutes of receipt KELER CCP stops to receive the transfer orders of the Participant and suspends the clearing right of the Participant and informs the appointing authority, the supervision, the court and the Participants.

Furthermore, KELER CCP takes measures without delay to ensure that the BSE and EuroMTS stop the intra-day real time sending of multinet settlement transactions to KELER CCP immediately but not later than 30 minutes from the time of receipt by KELER CCP of the notice on the insolvency proceedings, thus to suspend the trading right of the Participant. The BSE and EuroMTS can send to KELER CCP intra-day, real time the transactions with T+2 settlement cycle of the Participant subject to insolvency proceedings until the thirtieth minute after KELER CCP takes receipt of the notice on the insolvency proceedings. If the transactions with T+2 settlement cycle of the Participant subject to insolvency proceedings arrive to KELER CCP after this time, KELER CCP does not receive them ~~in the evening confirmation~~.

If the clearing right of the Clearing Member is suspended due to the opening of insolvency proceedings against the Non-clearing Member registered by the Clearing Member, KELER CCP applies the above measures against the Clearing Member until the statement of the Clearing Member stated in Point 12.3. is received. After the statement is received, KELER CCP immediately informs the BSE and EuroMTS accordingly to ensure that the BSE and EuroMTS suspend the clearing right of the Non-clearing Member concerned only and the suspension with respect to the Clearing Member is terminated.

The above do not affect the right of third parties to appeal against the execution of the transaction received by KELER CCP following the notice on the insolvency proceedings is received by KELER CCP in line with Section 4 (3) of the Tvt.

If the System received the transaction after the time of opening the insolvency and the transaction is executed on the same business day, following execution it becomes binding and unappealable by third parties only if KELER CCP evidences that at the time from which the transaction cannot be withdrawn from the System it did not have and was not supposed to have any knowledge of the opening of the proceedings..

After receipt of the notice on the opening of the insolvency proceedings, KELER CCP as system operator receives orders only in line with the rules stated in other legal regulations on the execution of the insolvency proceedings concerned (e.g. subject to approval by the liquidator, the supervisory commissioner or parties authorized by them).

### **12.5.3. Special rules on the temporary insolvency proceedings**

If the notice by the authority entitled to take action includes that the insolvency proceedings is of a temporary nature, KELER CCP complies with the rules of procedure stated in Point 12.5.2. and after the temporary period it terminates the suspension of the Participant involved and will accept its transactions in the future. KELER CCP terminates the suspension on the day that is stated in the written notice of the authority entitled to take action. Transactions rejected or cancelled during the term of the insolvency proceedings cannot be restored subsequently.

### **12.5.4. Special rules of procedure for derivative transactions**

In the case of a derivative transaction KELER CCP acts in line with Point 7.4. of these Rules, in line with the rules on default. In the case of derivative transactions providing the daily negative variation margin at the account of the Participant managed by KELER is considered transfer order, therefore it is subject to the rules of procedure stated in Point 12.5.2.

From the point of view of the operation of the System KELER CCP considers it risky if following notice on the insolvency proceedings the settlements of the arising negative and positive variation margin of derivative transactions depend on whether a debit or a credit entry is involved and thus are different. Therefore immediately after taking receipt of the notice on the insolvency proceedings but not later than thirty minutes within taking receipt, KELER CCP stops the payment of the positive variation margin of the Participant and suspends the clearing right of the Participant, and it informs the appointing authority, the supervision, the court and the Participants.

The option exercised before the opening of the insolvency proceedings becomes a transaction corresponding to the underlying transaction where KELER CCP acts in line with the rules on the relevant transfer order.

### **12.6. Obligations of the Participant, indirect Participant of the System**

The Participant, indirect Participant of the System is obliged to:

- a) provide the following data to KELER CCP on the form used by KELER:
  - name,
  - registered seat,
  - company register number,
  - tax number,
  - name of contact person, substitute(s),
  - job title, name of organizational unit,
  - mailing address and e-mail address,
  - phone and fax number.
- b) inform KELER CCP in writing on changes to the data stated in point a) above within 5 days of the change, by completing a new form,
- c) provide to KELER CCP the necessary documents stated in Point 2.3.1.1.1. of the General Business Rules of KELER to complete the appointing procedure
- d) within 5 days of demand by KELER CCP present documents of less than 3 months evidencing the data in the previous sub-points (certificate of incorporation, charter document).

In order to comply with the provisions of the Tvt., in the course of keeping contact with Participants KELER CCP is entitled to request and register the data stated in the previous sub points, furthermore, to request the documents supporting these data if this is found necessary.

The Participant of the System is obliged to inform the System operator of the opening of insolvency proceedings against it or its direct Participant if it becomes aware of such opening.

## **12.7. The agreement of the Participants of the System**

### **12.7.1. General provisions**

These Rules stipulate the content of the agreement among the Participants of the System specified in Section 3 of the Tvt..

### **12.7.2. Time to receive transactions**

Transactions with multinet settlement (hereinafter: transactions) are considered received on the day when the conditions stated in Point 4.2. of these Rules are met and:

- the BSE or EuroMTS sent the transaction to KELER CCP intra-day, before the acceptance of transactions was stopped pursuant to Point 12.5.2.
- KELER CCP confirmed to the BSE or EuroMTS the receipt of data at the end of the day and
- it found no discrepancy in the transactions received intra-day, real time but not yet accepted by KELER CCP and the transactions of the summary transaction (batch) file sent at the end of the day, all of their parameters were matching.

If the parties notice a discrepancy in the transactions received intra-day, real time but not yet accepted by KELER CCP and the transactions of the transaction (batch) file sent at the end of the day, the reason of the discrepancy is examined and reconciled until the discrepancy is resolved. KELER CCP can accept the transaction only that the BSE or EuroMTS sent to KELER CCP intra-day, real time before the sending of transactions was stopped in line with Point 12.5.2.. In the case of discrepancy, following resending the end-of-day summary transaction (batch) file KELER CCP confirms that data was received and indicates in the confirmation the transactions that are considered accepted. In the case of the opening of insolvency proceedings the intra-day data received will prevail.

### **12.7.3. Special rules on transaction withdrawal in the case of insolvency proceedings**

After receiving the notice on insolvency proceedings KELER CCP deletes the transactions submitted by the client but not accepted until the time of receipt of the notice on the insolvency proceedings. In other cases the BSE can initiate to delete the transaction with multinet settlement concluded at the BSE and the BÉTa market, EuroMTS can initiate to delete the MTS transaction.

### **12.7.4. Satisfaction from collateral in the case of insolvency proceedings**

In accordance with Section 8 (1) of the Tvt. the insolvency proceedings opened against the System and any participant of the system linked (System link), the System Operator not considered participant of the system linked, the central bank of a member state of the European Union and the institution providing central counterparty services to the European Central Bank and third parties providing collateral does not hinder the direct satisfaction from the collateral of the claim by any Participant and System Operator of the System or the system linked.

Based on Section 8 (2) of the Tvt. in the case of insolvency proceedings opened against the Participant or the System operator of the system linked, until execution of the transfer order legally accepted in line with Section 4 (1) of the Tvt. the funds and securities registered in the settlement account on the business day corresponding to the day of opening of the insolvency proceedings cannot be taken, thus:

- the balances of the free purpose cash and securities accounts of the Participant subject to the insolvency proceedings and
- the balances of its collateral sub-accounts registered on the business day corresponding to the day of opening of the insolvency proceedings,
- the balance arising from the credit entries posted on the day of opening of the insolvency proceedings and
- the contributions to the collective guarantee funds (KGA, TEA) of the Participant subject to the proceedings registered on the business day corresponding to the opening day of the insolvency proceedings)

that serve to meet the liabilities of the Participant towards the System and the system linked that exist on the business day corresponding to the day of opening of the insolvency proceedings.

The liabilities existing on the business day corresponding to the day of opening of the insolvency proceedings are the liabilities arising from the transfer orders legally accepted in line with Section 4 (1) of the Tvt. on the business day corresponding to the day of opening of the insolvency proceedings. The transactions with multinet settlement legally accepted in line with Section 4 (1) of the Tvt. on the business days before the day of opening of the insolvency proceedings and on the business day before the day of opening of the insolvency proceedings will be executed until the end of their settlement cycle.

The credit items received and posted on the business days after the day of opening of the insolvency proceedings in favor of the Participant subject to the insolvency proceedings can be used to meet the liabilities existing on the business day corresponding to the opening day of the insolvency proceedings subject to the instructions of the person authorized to dispose over the cash and securities accounts of the Participant subject to the insolvency proceedings during the execution of the proceedings.

## **12.8. Provisions on the time to give notices**

The notice on the insolvency proceedings can be sent primarily electronically. KELER CCP receives the notices primarily from the MNB. If it is not possible to send notices electronically, the obligation to give notice can be met by personal delivery or by mail.

#### **12.8.1. Time of receiving the notice on the opening of the insolvency proceedings**

The notice on the opening of the insolvency proceedings is considered received if it can be evidenced that KELER CCP received the written notice electronically at the e-mail address stated at its web site or received the written notice at the mailing address stated at its web site.

#### **12.8.2. Notice to the Participants of the System on the opening of the insolvency proceedings**

After the notice on the opening of the insolvency proceedings is received, KELER CCP as the System operator pursuant to Section 3 (1) c) of the Tvt. immediately informs the persons designated by the Participants to receive such notice and to take action.

- a) on the fact the proceedings are opened, the content of the notice thereof and the time it is received,
- b) the exact time from which the System stopped to receive the orders of the Participants subject to the insolvency proceedings.



### **XIII. Final loss allocation**

#### **13.1. General provisions**

Based on Article 16 of EMIR, the EU regulation on central counterparties, the central counterparty cannot use the entire amount of its shareholders' equity, thus it cannot be subject to insolvency proceedings as the direct result of default. Accordingly, related to default management, KELER CCP as a central counterparty licensed under EMIR cannot use the entire amount of its shareholders' equity either related to default management. Under the above stated requirement of EMIR, KELER CCP is required to set aside an amount stated in regulation for recovery operation, any restructuring. Recovery occurs when KELER CCP used all the guarantee elements according to Point 6.12. of these Rules related to the default concerned (recovery situation). If recovery fails, as part of performing its resolution responsibilities, the MNB makes KELER CCP subject to resolution if the conditions of resolution are fulfilled and implements the appropriate resolution measure(s). The final loss allocation rules of KELER CCP are determined in line with the recommendations of CPMI-IOSCO.

This section regulates the steps that KELER CCP takes following the use of all guarantee elements under Point 6.12. of these Rules, if there is any remaining loss, in order to ensure continuous market operation, until default is successfully closed or the MNB makes KELER CCP subject to resolution proceedings as part of performing its resolution responsibilities.

#### **13.2. Loss allocation tools by market**

##### **13.2.1. Guaranteed regulated market multinet settlement trades**

For guaranteed regulated market multinet settlement (spot securities) trades the final loss (either the cash side or the monetary value of the securities side) is distributed among the accounts to be credited, subject to settlement related segregation, in proportion of the amount to be credited, i.e. proportionately less purchase price will be paid. As a general rule, the reduced purchase price will be paid in the following order:

1. own accounts,
2. omnibus principal accounts,
3. individually segregated accounts.

The payments of the next segregation level can be reduced if the segregation levels of the above order are fully paid.

In all such cases the default fund is replenished, however, it cannot be used for the same default and replenishment is realized later. The default fund replenishment ordered and executed due to a certain default is not part of the final loss allocation.

##### **13.2.2. TP market**

In the TP market the final loss is distributed among the accounts to be credited, subject to settlement related segregation, in proportion of the amount to be credited, i.e. proportionately less purchase price will be paid. In all such cases the default fund is replenished, however, it cannot be used for the same default and replenishment is realized later. The default fund replenishment ordered and executed due to a certain default is not part of the final loss allocation

##### **13.2.3. CEEGEX market cash trade**

Final loss cannot occur related to cash trades concluded in the CEEGEX market as the market is fully financed in advance, i. e. it is fully covered by collateral assets.

##### **13.2.4. Guaranteed regulated market derivative trade and CEEGEX market futures trade**

For guaranteed regulated market derivatives and CEEGEX market futures KELER CCP attempts to close the positions of the defaulting party in line with Point 7.4.3.6. of these Rules and, in the meantime, subject to the availability of assets in the order stated in Point 6.12. of these Rules, it finances the negative variation margin arising on such position.

During loss allocation KELER CCP retains and uses for loss allocation the positive variation margin arising on the positions of the defaulting Clearing Member and following the closing of the defaulting open positions it returns the remaining amount in line with the rules of reimburse.

If the negative variation margin cannot be covered any longer with the guarantee elements described in Point 6.12. of these Rules and the positions of the defaulting Clearing Member are not yet closed, KELER CCP applies positive variation margin haircutting. During the period of application of the positive variation margin haircut, i.e. until all the positions of the defaulting Clearing Member are closed, the negative variation margins continue to be collected from all Clearing Members, however, if it is not sufficient for KELER CCP to pay all the positive variation margins, then KELER CCP meets payment obligations (i.e. the payment of positive variation margin) at a reduced rate. As a general rule, the positive variation margin reduction will be implemented in the following order:

1. own accounts,
2. omnibus principal accounts,
3. individually segregated accounts.

The payments of the next segregation level can be reduced if the segregation levels of the above order are fully paid.

Accordingly, loss is allocated each day and the parties credited on the day concerned bear the burden proportionately. During positive variation margin haircutting procedure, KELER CCP determines the reduced variation margin amount for each position management account and settles daily variation margin in line with settlement related segregation.

During the period of final loss allocation, following the implementation of the actions stated in Point 7.4.3.6. of these Rules, in addition to positive variation margin haircutting, KELER CCP actively manages the positions of the defaulting Clearing Member in the following order:

- a) Parallel with the close-out and compulsory liquidation of positions in line with Point 7.4.3.6. of these Rules, KELER CCP takes measures to transfer the positions and assets of non-defaulting segregated Non-clearing Members, segregated principals (to the previously designated reserve Clearing Member or a newly designated transferee Clearing Member if no reserve Clearing Member was designated). KELER CCP attempts to transfer the positions and assets of the non-segregated Non-clearing Members and principals to a transferee Clearing Member. KELER CCP acts in line with Point 4.3. of these Rules related to the transfer.
- b) KELER CCP announces and completes a voluntary auction for Clearing Members to take over the unclosed positions of the defaulting Clearing Member.
- c) Through a compulsory allocation, KELER CCP transfers the defaulting positions that are remained open after the auction to the non-defaulting Clearing Members. During the compulsory auction, the non-defaulting Clearing Members can be selected only for the positions in which they have open position of opposite direction, thus the risk of non-defaulting Clearing Member is limited.
- d) KELER CCP terminates the defaulting Clearing Member open positions that continue to be open after the steps stated in a)-c) above are implemented. The positions are terminated with final settlement in cash at the last settlement price and are cancelled in the system. During position termination, KELER CCP determines by drawing the non-defaulting Clearing Member positions with which the not yet closed positions are closed.

The Board of Directors decides on the timing of the above steps on a case by case basis, following evaluation of the actual situation where the loss bearing capacity of non-defaulting Clearing Members, market concentration and total market impact are considered in order to maintain secure and continuous market operation.

### **13.2.5. Markets involved in energy market Non-clearing Member service**

Related to the energy market Non-clearing Member service, KELER CCP acts as the general clearing member of ECC, thus it cannot take any action related to loss allocation related to these markets. In the case of resolution of KELER CCP, ECC and the supervisory institution of ECC are authorized to act.

### **13.3. The role of the Board of Directors in recovery**

In the case of recovery, the Board of Directors of KELER CCP acts as an operative managing body (recovery function).

During recovery, the Board of Directors of KELER CCP invites to its meetings, without voting right, for consultation purposes, the members of the Risk Committee those are not involved in person, the Chairman of the Supervisory Board and the representatives of the MNB from all concerned areas.

The Board of Directors performs recovery functions as long as:

- a) KELER CCP completes recovery successfully, as a result of which default funds are replenished again and the capital required for operation under EMIR is available; or
- b) MNB, acting in its resolution responsibilities, makes KELER CCP subject to resolution in order to apply the appropriate resolution measures.

In the interest of fair, proportionate and efficient allocation of final loss, the Board of Directors uses the assets listed in Point 13.2., however, subject to market situation (e.g. based on market concentration or the loss bearing capacity of individual members), it has the right to use other assets also. In this case it is required to give reasons for the decision.

The Board of Directors is entitled to decide on the following issues:

- a) determination of the % rate applied to positive variation margin haircutting;
- b) use of rates varying by Clearing Member, based on the loss bearing capacity of individual market participants;
- c) method to manage the non-defaulting Clearing Member own and principal positions - (deviation from the main rule)
- d) timing of the defaulting Clearing Member position allocation;
- e) use of other assets.

The Clearing Members are informed in KID or e-mail and without delay on the decisions of the Board of Directors related to recovery.

### **13.4. Exclusion of compensation claim related to final loss allocation and the procedure applied during reimbursement**

Clearing Members cannot claim compensation from KELER CCP related to the losses realized during final loss allocation. Reimbursement is only possible from the obligations met by the defaulting party, based on bilateral authorizations KELER CCP acts on behalf of the risk pool against the defaulting party (e.g. makes available to the MNB acting as supervisory authority the data necessary to initiate liquidation proceedings against the defaulting party).

KELER CCP pays any later reimbursement to the Clearing Member accounts in proportion of the individual loss realized to the total loss in the recovery period.

KELER CCP makes payment from any reimbursement once a week.

If in the meantime any member entitled to take part in the allocation ceases to exist without legal successor and no other party has legitimate claim to the assets to be distributed, the Board of Directors of KELER CCP decides on the use.

#### **XIV. Closing provisions**

These Rules shall enter into force following approval by the Magyar Nemzeti Bank, on the date stated by KELER CCP.