

# **KELER CCP Ltd.**

## **Investment Policy**

File name:	3-06 A KELER KSZF Zrt. Befektetési politikája_20201216.docx
Responsible organizational unit:	KELER CCP Chief Executive Officer
ID of the regulation document:	3-06
Effective date:	17 December 2020
Board of Directors approval:	Resolution 7/2020/4. on 16 December 2020
Date of review:	24 November 2020

## **1 General**

### **1.1 Reason for the preparation / modification of the policy**

Annual review.

### **1.2 Review date**

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

### **1.3 Scope of the policy**

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

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

### **1.4 References**

#### **Related regulations:**

- 4-04 KELER CCP's Accounting Policy
- KELER CCP Risk Rules of Operational Procedures

#### **References to legislation:**

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

### **1.5 Repealed regulations**

None.

### **1.6 Version control**

Version number of this policy: v1.7.

Version number of previous policy: v1.6

Effective date of previous policy: 11 May 2018

## 2 Investment principles

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

Regarding multinet and Budapest Stock Exchange (BSE) derivative markets KELER CCP invests its financial resources, that is to say, part of its shareholders' equity and related default fund contributions, with KELER, i.e. with the central securities depository, in demand deposits and securities. In line with the cooperation agreement, if possible KELER ensures that it invests 100% of the demand deposits placed with it in highly liquid financial assets by concluding deliverable overnight securities repurchase agreement (hereinafter: repo transaction) each day for the cash deposited with it on behalf of KELER CCP based on the applicable standing order given by KELER CCP under Point V./2. of the cooperation agreement. KELER can conclude repo transaction with respect to the financial assets of KELER CCP for only highly liquid financial instruments with average maturity not exceeding two (2) years. For the purposes of this document and the cooperation agreement the publicly issued Hungarian government securities, debt instruments issued by the MNB are highly liquid financial instruments and financial instruments with minimal market and credit risk. In case of KELER verifying that the above mentioned amounts are allocated on a cash custody account, repo transactions are not necessary.

Regarding CEEGEX, HUDEX gas, Trading Platform and Balancing Platform markets and ECC guarantee undertaking KELER CCP places its financial resources, that is to say, part of its shareholders' equity and related gas market default fund own contributions, at OTP Bank settlement bank on cash custody accounts. The guarantee fund contributions paid by clearing members are placed on KELER CCP's own separate guarantee fund custody sub-account at the settlement bank chosen by the clearing member.

Besides demand deposits and repo transactions, KELER CCP can buy from its financial resources discount treasury bills and bonds issued by the Hungarian State the average duration maturity of which does not exceed two (2) years, and the transactions in such instruments are executed technically by KELER in line with the outsourcing agreement valid between KELER and KELER CCP. The securities owned by KELER CCP are kept in the securities account managed by KELER.

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

Regarding multinet and Budapest Stock Exchange (BSE) derivative markets collaterals required by the central counterparty will be kept, blocked in customer accounts maintained in KELER. KELER CCP keeps demand deposits provided as contribution to the default fund at an account kept by KELER, separate from its own accounts, related to this account the provisions in the second paragraph of this point on repo transactions apply, if it is not verified by KELER that the amounts are allocated on a cash custody account.

Regarding CEEGEX, HUDEX gas, Trading Platform and Balancing Platform markets, on which KELER CCP operates as a central counterparty, the clearing members' individual collaterals are placed separately at the clearing members' chosen settlement bank (Budapest Bank, MKB Bank, OTP Bank) on cash custody accounts.

Collaterals related to the energy market clearing are at the place and in the form required by the ECC (European Commodity Clearinghouse) because of the general clearing member status of KELER CCP. Besides the required collaterals specified by the ECC, collaterals required by KELER CCP are placed at Citibank Frankfurt and Citibank London, at cash accounts owned by KELER CCP.

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

In the cooperation agreement referred to KELER agreed to convert the securities owned by KELER CCP and the collaterals, the latter in case of compulsory measures related to default, in favor of KELER CCP deposited with KELER, at the order of KELER CCP, into demand deposit on the same day, at the valid market rate, under stressed market circumstances also.

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

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

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

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

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

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

- KELER CCP can contribute to default funds managed by other central counterparty, the amount of contribution cannot be taken into account with respect to meeting the requirements stated in EMIR Article 16 (2) and Article 45 (4), and Articles 41., 42., 43. and 44.,
- for house purposes, in addition to the accounts kept by KELER, KELER CCP uses the account opened by MKB Bank,
- Regarding CEEGEX, HUDEX gas, Trading Platform and Balancing Platform markets KELER CCP places its own resources and own default fund contributions at OTP Bank settlement bank on cash custody accounts

- related to settlement in Euro the account with Citibank Frankfurt AG and OTP Banka Srbija,
- related to settlement in British Pound the account with Citibank London,
- in line with the provisions of Point 3. of this policy KELER CCP may acquire holdings in other business associations, the amount of holdings cannot be taken into account with respect to meeting the requirements stated in EMIR Article 16 (2) and Article 45 (4), and Articles 41., 42., 43. and 44..

KELER CCP's demand deposits for business management purposes (currently in the Forint and foreign currency accounts -which are not custody purposed- kept with KELER and the Forint account -which is not custody purposed- kept with MKB Bank) cannot exceed 5% of the total demand deposits calculated based on the average of one calendar month. KELER CCP Risk Management monitors compliance monthly.

With respect to its investments, KELER CCP applies the following concentration limits: The value of the KELER CCP securities portfolio (not including the existing financial instruments behind the repo transactions) that are purchased from its shareholders' equity (i.e. not including the financial instruments purchased from the default fund contributions made by clients) cannot exceed 80% of the shareholders' equity that is monitored monthly by the risk manager. In case of concentration limit breach KELER CCP is obliged to immediately inform MNB as the Supervisory Authority.

### **3 Acquisition of holdings**

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

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

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

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

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

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