



CENTRÁLNÍ DEPOZITÁŘ
CENNÝCH PAPÍRŮ

SETTLEMENT SYSTEM RULES

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SECTION GENERAL

CHAPTER I. GENERAL PROVISIONS

Article 1.

Scope of application

1. Centrální depozitář cenných papírů, a.s., with registered office at Rybná 14, Prague 1, ID No. 25081489 (hereinafter the **Central Depository**) is the operator of the settlement system with the irrevocable settlement (hereinafter the **Settlement System**) within the meaning of Art. 90 et seq. of Act No. 256/2004 Coll., on trading on the capital market, as amended (hereinafter the **Act**).
2. These Settlement System Rules of the Central Depository (hereinafter the **Rules**) regulates the settlement of trades concluded on the Prague Stock Exchange, the settlement of Exchange and OTC trades and dematerialised securities market transactions recorded in the Central Register of Dematerialised Securities or a independent register maintained by the Central Depository (hereinafter the **Trades and Transactions**), conditions of participation in the Settlement System, rights and duties of participants in the Settlement System and other activities relating to settlement, as well as other requisites imposed on the Settlement System by law.
3. Where these Rules use the term **dematerialised securities**, the regulation shall also apply to the security or immobilized security kept in the Independent Register of the Central Depository, unless stated otherwise.

Article 2.

Definitions

1. Exchange . Burza cenných papírů Praha, a. s.
2. Exchange Day . a business day on which trades are conducted at the Exchange¹.
3. Exchange trades . trades concluded in Exchange trading system that are guaranteed by CSD Clearing Fund
4. CERTIS . interbanking payment system with irrevocability of clearing operated by the Czech National Bank for the payments in domestic currency.
5. CSD Clearing Fund . aggregated financial funds of clearing participants securing liabilities and covering risks from settlement of exchange trades
6. Clearing participant . an exchange member who is liable for unconditional fulfilment of obligations arising from settlement of his exchange trades, or a settlement participant who is liable for unconditional fulfilment of obligations arising from settlement of trades concluded by an exchange member who is not a clearing participant and with whom clearing participant has concluded an agreement for providing of exchange trades settlement
7. Time Schedule . describes individual stages of settlement from the point of view of participants in the settlement, including business hours of accepting orders for settlement; at the same time, it also contains the manner of arranging orders for transfers of dematerialised securities within each individual settlement cycle. The Time Schedule forms Annex 1 hereto.
8. Net position . information for participants of settlement on the volume of financial means transferred to the CERTIS after closed settlement cycles involving money transfers.
9. CNB . the Czech National Bank overseeing the capital market pursuant to Act No. 15/1998 Coll., on Supervision of the Capital Market and the Modification and Amending of Other Acts, as amended.

¹ Exchange Regulation . Trading Rules



10. Settlement cycle . the processing of allotments of dematerialised securities transfers from the Securities Centre and the posting of transfers of investment instruments. The time determination of each settlement cycle (early morning, morning, afternoon DVP and afternoon DFP cycle) and the possibility of clearing trades with or without money transfers is determined by the Settlement Time Schedule.
11. Allotment . a compact statement of transfers in electronic form.
12. Depository . securities depository with which the Central Depository has concluded the Agreement on the Deposit of Securities.
13. Identifier . a unique identification number, which is the personal identification number for natural persons and the company ID number for legal entities based in the Czech Republic; a substitute identification number (NID) assigned by Central Depository or the Central Depository can also be used.
14. Unilateral trade . a trade in which the same participant appears on both the purchase and sale side (~~gross trade~~).
15. MTF . Multilateral Trading Facility.
16. Non-clearing participant . exchange member who is not a clearing participant
17. Matching System - part of the settlement system for entering settlement orders, their mutual reconciliation and for the matching of conforming items.
18. Monetary limits of settlement . maximum amount of purchases, sales, net positions of purchases and net positions of sales in particular settlement cycles.
19. Operating Manual . Operating Manual of the Central Depository
20. Transfer . order to change the status of an asset account on which dematerialised securities are kept, against the transfer of money or without the transfer of money.
21. RCU . registration number of participant.
22. Settlement System . set of hardware, software, communication and organizational means which serve to match orders for the settlement of trades and transactions with dematerialised securities, for the settlement of transfers and for securing related activities.
23. Accounting day . a day on which settlement processes are in progress in accordance with the time schedule. The accounting day begins at 5:45 pm on one settlement day and ends at 5:45 pm on the next settlement day. The Central Depository publishes the schedule of settlement days in the Newsletter.
24. Validation of dematerialised securities . reservation of dematerialised securities on the asset accounts for settlement procedures (putting the dematerialised securities ~~on~~ the way).
25. Newsletter . Newsletter of the Central Depository.

Article 3.

Conditions of the commencement of participation in the Settlement System

1. The Settlement System Participant (hereinafter the ~~Participant~~) may only be a person specified by law² who has entered into a Participation Agreement with the Central Depository in compliance with the Operating Manual and who has fulfilled the requirements of these rules and the Operating Manual.
2. Participation in the Settlement System commences upon the signing of the Participation Agreement.
3. The participant who has entered into the Participation Agreement according to the previous paragraph agrees that all relationships arising from participation in the Settlement System are governed by Czech law.
4. There is no legal claim to participation in the Settlement System.

² Art. 84 (1) of the Act





Article 4. Rights and duties of participant

1. A participant which is not the clearing bank according to Article 6 is obliged to have secured contractually financial clearance of trades in investment instruments by means of any of the clearing banks.
2. The participant must fulfil the technical requirement set forth in the Central Depository's special regulation³.
3. The participant must fulfil the conditions of participation for the entire period of its participation in the Settlement System.
4. The participant is entitled to use the services of the Settlement System to the extent and under the conditions mentioned herein and in special regulations of the Central Depository.
5. During the activities described in the previous paragraph, only persons who have been duly authorized to act with the Central Depository may act on behalf of the participant.
6. The participant is obliged to inform the Central Depository in writing and without undue delay about:
 - a) changes in his company name, change of its seat or place of undertaking or change in Identification Number,
 - b) a proposal of a decision on dissolution of the participant with or without liquidation, a change in the subject of undertaking, the initiation of proceedings to revoke the permit authorizing the participant to participate in the Settlement System if such permit is mandatory for settlement system participation;
 - c) initiation of insolvency proceedings, decision of an insolvency court on the method of insolvency arrangement, decision on rejecting of insolvency proposal for insufficiency of the participant's assets or instituting receivership.
7. All data the participant is obliged to present to the Central Depository in accordance with this regulation are confidential and may be used only for the purpose of participation in the Settlement System; this does not affect the duty of the Central Depository to provide information under Art. 115 of the Act. Confidential information is not information that the Central Depository is entitled to publish in the Newsletter on the basis of a Participation Agreement.
8. Obligations and receivables of the participant in the exchange trade which were not settled as of the day of the termination of its participation in the Central Depository are resolved under generally binding legal regulations and these rules. Obligations and receivables of the participant in and OTC trade which were not settled as of the day of the termination of its participation in the Central Depository are resolved in accordance with generally binding legal regulations.

Article 5. Measure against participants and proceedings in cases of insolvency

1. If a participant violates his duties stipulated by the Participation Agreement or by these rules, the Central Depository may also take other actions besides those stated in the Operating Manual, including:
 - a) suspension of participation in the Settlement System;
 - b) cancellation of participation in the settlement system.
2. The relevant provisions of the Operating Manual apply similarly to the procedures of imposing measures and the authority to impose measures.
3. As of the day on which the resolution on the suspension of participation or on the cancellation of participation in the Settlement System takes effect, the participant forfeits the right to use the Settlement System to which he is entitled according to these Rules, unless the resolution states otherwise.

³ Communication connection of participants to Central Securities Depository





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4. In the case that an insolvency procedure against the participant has been commenced or other measures have been imposed by the public authority with respect to the participant's assets, the Central Depository will perform the following activities with respect to a transfer in which the participant is at least on one side:
 - a) in accordance with rules of order irrevocability (article 10), the Central Depository shall settle the participant's orders accepted by the Settlement System before learning of the fact;
 - b) The Central Depository shall suspend the settlement of exchange trades that have not been accepted yet into the Settlement System or whose settlement time has not been reached and will secure a substitute manner of settlement for these trades in compliance with these rules, in the same manner the Central Depository would proceed in the event of a participant's failure;
 - c) the Central Depository shall suspend the settlement of all OTC trades and transactions that have not been accepted yet for the Settlement System or their settlement time has not been reached;
 - d) the Central Depository shall cancel the option of this participant to return lent dematerialised securities, and shall secure their returning to the lender by their substitute purchase according to the rules of loaning.
5. The Central Depository will immediately inform the Exchange and all participants in the Settlement System of the situation arising according to the previous paragraphs and of imposed measures.

Article 6. Clearing bank

1. The clearing bank is a bank participant involved in the clearing of trades and transactions for itself or for other participants by means of the CERTIS.
2. Using the document, a sample of which is attached as an annex hereto (Annex 3), the clearing bank will approve the debiting of its account based on the orders from the Central Depository for the clearing of financial means arising from trades and transactions involving investment instruments, by means of the clearing bank account in the CERTIS, in the form of third party orders.
3. The clearing bank is only entitled to modify or cancel the approval under paragraph 2 if it and the participants for whom it arranges the settlement of trades and transactions have fulfilled their obligations arising from these trades and transactions. The obligation arising from the previous sentence shall be confirmed by the clearing bank in its declaration for the Central Depository; the form for this purpose is an annex hereto (Annex 4).
4. If the clearing bank enters into an agreement with a non-banking participant of the Central Depository, regarding the provision of the clearing bank's services, the clearing bank shall authorize the Central Depository to debit its clearing account based on the completed statement, the form for which is attached hereto (Annex 5).

Article 7. Charges

The fees for settlement and other services are regulated by the Central Depository Price List and the List of Tariffs for the Settlement of Material Costs (hereinafter the **Price List**).

Article 8. Settlement System risks

1. The Settlement System may be exposed to system risk, operational risk, liquidity risk and, possibly, credit risk. The Central Depository regularly monitors, measures and evaluates these risks. Following the identification and evaluation of risks, the Central Depository adopts measures to effectively eliminate the risks, minimize negative impacts on other participants, or remedy the defective condition and penalize the offenders, if any.



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2. In order to eliminate or minimize the risks associated with settlement, the Central Depository has created a system of inspection and measurement as an independent third party that manages and supervises the settlement process.
3. Operational risks are minimized in the Central Depository, especially by using the following means and measures:
 - a) Strictly limiting staff access to the rooms of the main and backup IT centre, with the use of an electronic security system, and granting access to only a limited number of employees.
 - b) Ensuring the security of buildings where the main and backup IT centre is located.
 - c) Placing the main and backup IT centre in physically separated locations.
 - d) The existence of alternative power sources.
 - e) Purchasing reliable technology exclusively from reputable vendors.
 - f) The connection of the main and backup computer using MIMIX, which enables the database of these computers to be updated in real time, i.e. during a business day.
 - g) The duplicate storing of data on discs (disk mirroring).
 - h) Regular database archiving.
 - i) Regular auditing of the information system.
 - j) Use of journaling mechanisms, i.e. the creation and keeping of reports regarding the access to individual systems and changes in the database.
 - k) Checking the access rights to systems from the perspective of end users (so-called profiles).
 - l) The automated processing of tasks using auto-control procedures which highlight the unfinished processes or non-standard situations, significantly reducing the need for operator interventions and hence the human error factor.
 - m) Through the Central Depository participants who compare their own records with listings of account balances, statements of accounts and statements the transfers of owners.
 - n) Input inspection of all orders for settlement and related documents accepted for processing; new orders filed in an electronic form pass through an automatic database inspection of the existing data in order to eliminate incomplete or incorrect orders from the processing.
 - o) Output inspection preceding the handover of output data to participants.
 - p) Inspection by the customer account owners who also make use of the statements of account balances and transfers to check the conformity of the total number of dematerialised securities according to ISIN/SIN on asset accounts held in its own records and the status of the customer account as of the day closing.
 - q) Daily checksums regarding the number of dematerialised securities of a given issue maintained on asset accounts and the total number of dematerialised securities issued in the Central Depository.
4. The Central Depository is not a central counterparty and is therefore not exposed to the credit risk of settlement participants. The following are the basic tools to reduce settlement risks and therefore reduce liquidity and credit risks:
 - a) The determination of the rights and responsibilities of settlement system participants based on these rules.
 - b) The finality of settlement and the DVP principle.
 - c) Ongoing evaluation of counterparty risk.
 - d) The management of the system of material guarantees.
 - e) Procedures in the case of the failure of a settlement participant.
 - f) Communication with clearing banks.
 - g) Determination of fees in the event of participants non-compliance.



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- h) Separate accounting for entrusted funds and investment instruments.
5. System risks are reduced thanks to the Settlement System's participation principle. Settlement system participants can only be entities licensed and supervised by the Czech National Bank or by another European regulator who employs instruments to prevent the collapse of the financial system or market. Strict adherence to the participation principle, and strict selection of persons satisfying the criteria for compliance with statutory requirements or the requirements of these rules, including the technical and disclosure duties, thus reducing system risk.
 6. The irrevocability of an order for settlement is complemented by the security of the settlement of trades in the form of transfers on auxiliary technical subaccounts. Thanks to this procedure, the transfers of dematerialised securities and money will be finite, irrevocable and conditional. The conditionality means that no transfer of money will take place without the transfer of dematerialised securities and vice versa. Money transfers will only apply to those dematerialised securities that are available without restrictions for settlement. If a lack of funds is identified, the dematerialised securities will return back from the technical subaccount to the seller's account.
 7. The continuous evaluation of counterparty risk is used for the settlement of exchange trades, and serves as the basis for the calculation of the contributions to the CSD Clearing Fund or the amount of collateral in the provided dematerialised securities loans. The evaluation of counterparty risk is based on the measurement of the risk arising from exchange rate differences in individual trades, compared with the closing exchange rate for the given trading day and the evaluation of the potential risk based on models for future exchange rate differences. The calculation of the contributions to the CSD Clearing Fund thus reflect the risk of future exchange rate differences and the risk of the participant's overall open position. The calculation of the collateral required to secure the loans of dematerialised securities has been derived from the long-term monitoring of foreign exchange rate differences in the shares represented in the loan system. Upon the execution of the substitute purchasing of non-returned dematerialised securities, the Central Depository will make use of the deposited collateral. The amount of the collateral is recalculated on a daily basis, depending on the new exchange rate, and the collateral is deposited by the participants to the Central Depository's account, so it is immediately available as needed.
 8. The Central Depository's activities related to risk management include the administration of the system of material guarantees. Not only is the Central Depository authorized to make use of the guarantee instruments, but the Central Depository also manages the guarantee funds in accordance with pre-defined rules. Thus, it may affect the form of the funds managed according to liquidity needs, and use them without delay after an infringement by any participant is detected.
 9. The Central Depository has developed internal procedures for various cases of participant failure or other emergencies. The Risk Management and Development Department is authorized to evaluate and suggest procedure in emergencies.
 10. The credit risk is limited by the financial settlement of trades via the CERTIS. Non-banking settlement participants make use of the services of clearing banks for the purpose of financial settlement. Thanks to the daily communication of the Central Depository with clearing banks and the sharing of information regarding the participant's financial position with the bank, clearing banks are able to timely detect the participant's deteriorating financial situation and notify the Central Depository of the risk of the future default in payments.
 11. The penalty charges imposed by the Central Depository upon the participant's non-compliance are an effective tool in motivating participants to properly fulfil their duties. The Central Depository shall ensure that increased fees are effectively motivating, but that they are not prohibitive for participants.
 12. In accordance with the law, the Central Depository shall separate its own resources from the resources entrusted to the Central Depository by participants for the purpose of trade settlement. Separate accounts especially include the resources of guarantee funds, warranty funds of market makers or collateral deposited by the borrowers in the loaning system.





CHAPTER II. SETTLEMENT OF TRADES AND TRANSACTIONS WITH DEMATERIALIZED SECURITIES

Article 9.

Order for settlement and its requisites

1. Into the Settlement System:
 - a) The Exchange, another regulated market or Multilateral Trading Facility enters matched orders for the settlement of closed exchange trades.
 - b) The participants put the orders for matching and settlement of closed OTC trades and transactions.
2. The orders for settlement are handed over to the settlement system by means of data communication or on the basis of a special agreement.
3. The order for settlement under paragraph 1 (a) is handed over for settlement in the structure of transfers attached as Annex 2 hereto, unless otherwise stipulated in an agreement between the Central Depository and the party specified in paragraph 1 (a).
4. The order for settlement under paragraph 1 (b) must contain:
 - a) dematerialised security ISIN;
 - b) RCU (counterparty);
 - c) Quantity of the dematerialised securities;
 - d) agreed price for one security or agreed volume of trade;
 - e) order direction (purchase or sale);
 - f) presumed settlement day;
 - g) settlement type;
 - h) account type and subaccount type in the Central Depository;
 - i) RCU of the participant who has placed the order;
 - j) identifier of the owner of the account from which/to which the dematerialised securities shall be transferred;
 - k) number of the account from which/to which the dematerialised securities shall be transferred;
 - l) type of command (NEWM or PREA).
5. The order may further contain:
 - a) duration of order validity;
 - b) order external no.;
 - c) participant branch no.;
 - d) type of identifier used;
 - e) client identification for CNB - this item is obligatory in the case that the participant concluded with the Central Depository a special agreement on the reporting of trades with investment instruments accepted for trading on the public market or in the case that the settlement shall be carried out by participant other than the one which registered the order in the system;
 - f) Identification no. of the entry in the records of the exchange member in the case that the trading member concluded or registered in the automated system of the Exchange in accordance with the Exchange Rules a trade, the settlement of which was not carried out on/from the asset account of the investor which gave the instruction;



- g) the date and time of the conclusion of the trade in the case that the participant has concluded the agreement with the Central Depository in the sense of clause (d) of this paragraph;
 - h) the RCU of the participant who will carry out the settlement;
 - i) the trader's commission when the settlement is carried out by another participant;
 - j) the code for determining the manner of order matching;
 - k) additional information for the counterparty.
6. The presumed settlement date according to paragraph 4 (f) of this Article is the date on which the settlement of the registered trade or transaction is expected. This date may also be a day in the past; in such a case the order will be included for settlement under the next following settlement cycle, when the final matching of orders will take place (both reverse orders are of the NEWM order type according to paragraph 4 (l) of this Article).
7. Information about the settlement type under paragraph 4 (g) determines whether it is settlement in the form of delivery of dematerialised securities against payment or only in the form of delivery of the dematerialised securities without payment, and it also determines the detailed specification of orders according to the type of trade or transaction and inclusion in the settlement succession.
8. The type of the settlement order within the meaning of paragraph 4 (l) of this Article divides orders into a group of orders conditioned by an additional confirmation of the entering participant (PREA) and a group of orders that are not conditioned and are confirmed - these are automatically included for settlement as of the settlement date (NEWM).
9. The period of order validity under paragraph 5 (a) of this Article determines the period of the validity of non-matched orders. If the exact date is not specified and the order validity is defined as a number of days, the countdown starts on the day on which the order is entered, inclusive.
10. The additional information for the counterparty, within the meaning of paragraph 5 (k) of this Article, shall especially mean the identification of the participant's client (BIC, LEI, name or business name, address), the client's internal reference or the participant's internal reference. This information serves for the purpose of matching orders for settlement between the participants.
11. A special agreement with a person referred to in paragraph 1 (a) of this Article may modify the specific details to be included in settlement orders differently than the provisions of paragraphs 4 and 5.

Article 10. Irrevocability of the order for settlement

1. The order for settlement is considered accepted in the settlement system the moment the Central Depository commenced settlement by the handover of the order for the transfer of dematerialised securities.
2. The participant or the third party must not unilaterally recall the order once it is admitted into the Settlement System.
3. Upon the commencement of settlement, the Central Depository bears liability for securing the Settlement System against any attempt to unilaterally recall the order for settlement. No order that may unilaterally revoke a settlement order will be admitted by the Settlement System.

Article 11. Settlement

1. Settlement includes:
 - a) the transfer of dematerialised securities and rights connected with them; and
 - b) the transfer of financial means if the delivery of dematerialised securities against payment is concerned.
2. The Central Depository is liable for the concurrent transfer of dematerialised securities against payment of the corresponding amount of financial means or for not transferring either

dematerialised securities or financial means relating to the given trade or transaction in the case that the transfer of dematerialised securities and the transfer of financial means have been requested by participants.

3. The Central Depository carries out the settlement in settlement cycles: each cycle is commenced by the transfer of dematerialised securities from the asset account of the selling participant to the account of the purchasing participant and, in the case of settlement cycles with payment transfers, also by the transfer of financial means from the clearing bank of the purchasing participant to the account of the clearing bank of the selling participant in the CERTIS or at the chosen bank - participant (hereinafter the **chosen bank**).
4. Settlement involves the participants in the Central Depository which concluded the trade or the participants determined in the order for settlement on the basis of a written agreement on the settlement of trades in dematerialised securities and an instruction for settlement of the respective trade.
5. The participant who carries out the settlement but does not enter the order for settlement shall receive the information on the fact that it shall carry out the settlement on the same day the trade was registered in the trading system of the Exchange or in the Settlement System of the Central Depository. This participant is obliged to enter on the matched order for settlement the account type in the Central Depository, the identifier of the owner of the account from which/to which dematerialised securities shall be transferred and the number of the account from/to which the dematerialised securities shall be transferred, at the latest by the commencement of settlement. If the participant does not fill in this information in the matched order for settlement, the trade settlement is suspended. If the participant does not fill in the information even during the period of settlement suspension, the trade or transaction shall not be settled.
6. Data in the order for settlement may not be modified, with the exception of:
 - a) the client's identification for the Czech National Bank;
 - b) the identification number of the record made of the instruction, or identification number of the record made on the trade effected for the trading member's account, as stated in the trading member's records;
 - c) the numerical code in the specification of the settlement type;
 - d) the account type in the Central Depository, the identifier of the owner of the account from which/to which dematerialised securities shall be transferred and the number of the account from/to which the dematerialised securities shall be transferred;
 - e) the trader's commission;
 - f) presumed settlement day;
 - g) the volume of the trade;
 - h) the RCU of the participant who will carry out the trade settlement;
 - i) type of command (NEWM or PREA);
 - j) additional information for the counterparty.
7. The data under paragraph 6 of this Article must be completed in the order at the latest by the moment of settlement commencement. A change of data under paragraph 6 of this Article may also be made at the latest by the moment of settlement commencement, with the exception of the change under paragraph 6 (h), which may be made at the latest by the moment of the matching of the trade and changes under paragraph 6 (a) and (b), which may be . in the case that a participant other than the one that registered the trade (carried out at the latest by the termination of the Exchange day on which the trade was matched) participates in the settlement. As regards trades with suspended settlement, the possibility of change lasts under paragraph 6 (a) to (e) at the latest until the moment of the settlement commencement on the given accounting day.
8. The change under paragraph 6 (c), (f) and (g) of this Article must be made by both participants. The change under paragraph 6 (e) of this Article can only be made if the settlement involves a participant other than the participant who registered the trade, and it must be made by both settlement participants.



9. A change under paragraph 6 (f) and (g) of this Article may only be made in the case that it is the settlement of loan of dematerialised securities, repo operations or a buy and sell trade in dematerialised securities and the settlement of the transfer was not suspended under Article 15.
10. The exceptions listed in paragraph 6 may be limited by an agreement entered into between the Central Depository and the person referred to in Article 9 (1) (a).
11. Settlement orders are also matched if the specification of the data regarding the trading volume according to paragraph 4 (g) of this Article differ. The maximum deviation that still allows the automatic matching of settlement orders is specified in the Newsletter. Settlement orders will be matched with the details regarding the trade volume specified in the order of the participant - transferor, and the order of the participant - transferee will be appropriately modified in terms of the trade volume and the trade price.
12. In order to have an order included for settlement, it is necessary to make sure that the orders of the participants - the transferor and transferee include the NEWM code as the type of the order within the meaning of Article 9 (4) (l) or the order modified according to paragraph 6 (i) of this Article; these orders are confirmed for settlement and cannot be modified or cancelled. Orders of the PREA type, although matched, are not included in settlement and can be unilaterally modified or cancelled.
13. The transfer of financial means also includes in the case of trades in bonds the value of the aliquot interest income (hereinafter the **interest income**) calculated as of the presumed day of trade settlement.
14. The interest income is calculated under parameters mentioned in the issue conditions and using the interest rate known by the Central Depository on the day of concluding or registering the trade. As regards bonds with a variable revenue, the interest income is always calculated according to the last revenue value reported by the issuer.
15. With the suspension of trade settlement under Article 15 or 17 hereof, the value of the interest income calculated as of the due date of settlement does not change.
16. If there is an evident lack of dematerialised securities for sale or a lack of financial means required for purchase, the Central Depository will make use of the regime described in the provisions of the respective chapter of the special part of these Rules.
17. The participant is entitled to condition the settlement of one transfer on the successful settlement of another single transfer that has been registered in the Settlement System. If the transfer is not settled, the settlement of the conditional transfer is automatically suspended. The procedure for the settlement of both transfers is governed by the corresponding articles of these Rules, based on the nature of the given transfer. A participant that has conditioned a specific transfer is responsible for the non-settlement of any exchange trades.
18. On the maturity day of securities of a derivative type the Central Depository shall secure the automatic use of profit positions in accordance with the issue conditions and the transfer of the corresponding financial sums to the participants keeping the accounts for the owners of these applied securities of a derivative type. In the case of the physical delivery of the underlying asset, the Central Depository shall secure their delivery versus payment of the strike price. Detailed procedures for applying securities of a derivative type and the settlement of asserted positions shall be established by the Central Depository in the Newsletter.
19. If the application of rights connected with the ownership of securities of a derivative type is secured by the Central Depository on the basis of the participant's application, this request must contain:
 - a) participant's identification no.;
 - b) account no.;
 - c) identifier of account owner;
 - d) account type and subaccount type in the Central Depository;
 - e) ISIN or other identification data designating the issue;
 - f) number of applied investment instruments.





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20. The Central Depository shall secure the settlement of securities of a derivative type applied under previous paragraph in accordance with the issue conditions of the given investment instrument provided that the number of asserted securities of a derivative type is registered on the asset account in the participant's application.
21. A participant in the settlement of trades in securities of a derivative type which are not derivatives may be:
 - a) the clearing bank under Article 6;
 - b) a participant in the settlement system with a permit to trade in derivatives from the Czech National Bank.
22. The participant in the settlement system with securities of a derivative type is obliged before the commencement of the settlement of trades in these investment instruments to present to the Central Depository a copy of the permit under paragraph 19 (b).

Article 12.

Clearing of financial means

1. Based on an agreement with the Czech National Bank, the Central Depository as a third party files orders for the clearing of funds in its own name and on the participant's account for the settlement of funds to the CERTIS. The clearing of trades or transactions in a currency other than Czech crowns is carried out by the Central Depository by means of the chosen bank in the form of payment.
2. The required data for orders for clearing are the orders for settlement under Article 9 or possibly other documents.
3. The clearing of financial means is terminated upon the acceptance of information from the CERTIS or from the chosen bank. The form and manner of the acceptance of the information on the termination of clearing is contractually arranged between the Central Depository and CERTIS and between the Central Depository and the chosen bank.
4. The Central Depository is liable for damage incurred by the participant as a consequence of a faulty order assigned to the CERTIS or by the chosen bank under paragraph 1. An order is considered faulty if it does not correspond with the data contained in documents under paragraph 2.
5. The creation of payment orders for the individual types of trades and transactions is described in the respective Chapter of the Special Part of these Rules.

Article 13.

Transfers of dematerialised securities

1. The settlement is terminated by clearing the transfers of dematerialised securities from the seller's asset accounts to the buyer's asset accounts, in compliance with the time schedule.
2. The Central Depository is liable for damage incurred by the participant as a consequence of a faulty order. An order is faulty if it does not correspond with the data contained in the submitted order for settlement under Article 9 (4) and (5) or data mentioned in Annex 2, or possibly data in other similar documents.

Article 14.

Types of dematerialised security transfers

1. The Central Depository carries out trade and non-trade transfers of dematerialised securities.
2. Trade transfers are:
 - a) Purchases of dematerialised securities;
 - b) Sales of dematerialised securities.
3. Non-trade transfers are in particular:



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- a) OTC transactions (custody transfers, repo operations, buy and sell operations, loans of dematerialised securities, hedging transfers of a right);
 - b) technical transfers without the transfer of financial means (the transfer of dematerialised securities of one owner between the settlement participants).
4. Besides transfers under paragraph 2 and 3, the Central Depository may carry out other transfers if other the Central Depository regulation or special agreement stipulates so.

Article 15.

Suspension of settlement of dematerialised securities transfer

1. The transfer of dematerialised securities may be suspended in particular for the reason of:
 - a) a lack of dematerialised securities determined for settlement;
 - b) formal mistakes in the data necessary for the registration of dematerialised securities transfer;
 - c) a lack of financial means for settlement.
2. A transfer of dematerialised securities which was not carried out is excluded from further processing by the Central Depository for this settlement cycle and thus the settlement of the respective trade or transaction is suspended.
3. The respective Chapter of the Special Part is followed in the case of dematerialised securities transfers that could not be carried out.

Article 16.

Procedure for transfers of financial means

1. Transfer of financial means includes the transfer of the amount corresponding to the volume of trade or transaction or possibly the trader's commission, transfers of guarantee means, charges for services and transfers of other amounts in accordance with the Central Depository Price List.
2. The Central Depository shall calculate for each settlement cycle (which includes payment orders) the net financial position of all the participants and inform the participants, including the clearing bank at the non-banking participant.
3. Clearing banks set monetary limits for non-banking participants for each cycle of settlement in which money transfers are allowed.
4. Clearing banks set up monetary limits in compliance with the time schedule of settlement, either electronically or via fax request.
5. Clearing banks set up the following limits:
 - a) debit limit of clear position;
 - b) credit limit of clear position.
6. No limit according to paragraph 5 of this article can be exceeded as part of the settlement. A transfer that might cause exceeding of limits must be suspended. Transfers are sorted according to Annex 1 . Time Schedule of Settlement, in the Means of Sorting Transfer Orders of Dematerialised Securities part.
7. The Central Depository shall hand over to the CERTIS the order for the transfer of financial means between the accounts of individual clearing banks.
8. In the case that clearing shall be carried out in a currency other than Czech crowns, the Central Depository shall check the state of financial means of the purchasing participant on the stipulated account at the chosen bank (hereinafter the **stipulated account**), and then hand over to the chosen bank the order for the transfer of financial means in favour of the account of the selling participant.



Article 17.

Lack of financial means

1. In the clearing of trades and transactions, the purchasing participant's lack of financial means may arise due to:
 - a) missing financial means of a non-banking participant on the account at its clearing bank;
 - b) a lack of financial means of the clearing bank on its account in the CERTIS;
 - c) the participant's lack of financial means on the stipulated account at the chosen bank (in the case that clearing shall be carried out in a currency other than Czech crowns).
2. For the reason of a lack of financial means, the following may not be paid:
 - a) The amount for the closed trade or transaction, or
 - b) Contributions to the CSD Clearing Fund, or
 - c) Collateral for the loan of dematerialised securities, and/or
 - d) Other payments stipulated in the Price List.
3. Procedures of the Central Depository in the case of a lack of financial means are described under paragraph 2 (a) and (b) in the respective Chapter of the Special Part of these Rules. Procedures according to paragraph 2 (c) and (d) are described in special regulation of the Central Depository⁴.

Article 18.

Presumed settlement day

1. The planned settlement date means the date set in the order for settlement.
2. If a day in the past is set, the order that complies with the given requirements is included in the settlement on the next following settlement cycle determined for the given type of transfer (DVP, DFP).
3. If the presumed settlement date falls in the period in which the right to dispose of dematerialised securities is suspended, the Central Depository shall carry out the settlement on the first accounting day after this suspension of the right to dispose ceases to exist.

Article 19.

Additional period for trade settlement

1. The additional period for trade settlement is the number of accounting days following the day of settlement mentioned in the transfer, in which the transfer with suspended settlement may be subsequently settled. The number of days in the additional period is determined in the respective Chapter of the Special Part.
2. The additional period for the settlement of the suspended transfer of dematerialised securities shall be extended by the period of suspension of the right to dispose of the dematerialised security issue in the Central Depository.

⁴ Central Depository Price List and List of Tariffs for the Settlement of Material Costs, Procedural Regulation regarding Settlement System Rules - Rules of Securities Lending



SECTION SPECIAL

CHAPTER I. SETTLEMENT OF EXCHANGE TRADES IN DEMATERIALIZED SECURITIES

Article 20.

Scope of application

1. This Chapter regulates the principles and conditions for the settlement of exchange trades, as well as rights and duties of the participants of this settlement.
2. An order for settlement in compliance with paragraph 1 must have in the settlement type (item No. 22 of Annex 2) one of the mentioned designations.
 - a) AVA for exchange trades concluded between two exchange members,
 - b) AVC for exchange trades concluded by one Exchange member (cross trade).

The second V means that it is the settlement of delivery of dematerialised securities against transfer of money and the figure or letter at the end of the code means ordering into succession of settlement of other trades and transactions, which is described in Annex 1 (Manner of Sorting Orders for Dematerialised Securities Transfers).

3. Exchange trades are always settled on the second day following the trade conclusion (T+2).

Odstraněno: third

Odstraněno: 3

Article 21.

Clearing participant

1. Clearing participant in settlement system (hereinafter **clearing participant**) is an exchange member or settlement participant who has concluded a clearing agreement with Central Depository (hereinafter **clearing participant agreement**) and who fulfils requirements of these rules for clearing participants.
2. Central Depository assigns a registration number (hereinafter **CMI**) to each clearing participant without undue delay after clearing participant agreement conclusion. Clearing participant is obliged to state CMI for each application of Central Depository services within settlement of trades.
3. Clearing participant who is not a settlement system participant has to fulfil following conditions:
 - a) being an exchange member and
 - b) to conclude an agreement with a clearing agent, based upon which is the participant provided cash settlement by a clearing bank and has opened at least one asset account for dematerialised securities settlement. Clearing agent maintains this account labelled with a new participant's code which corresponds to CMI of this clearing participant; if the clearing participant is not an exchange member, he can use in favour of one of his clearing participants current participant code.
4. Clearing participant who is liable for unconditional fulfilment of obligations arising from settlement of exchange trades of a non-clearing member, has to fulfil the following conditions:
 - a) be a settlement system participant, and
 - b) be a clearing house or make arrangements for the clearing services with a clearing bank.
5. Clearing participant agreement has a documentary form. Proposal of a Clearing participant agreement may be found on Central Depository websites.
6. Participation in settlement system ceases to exist on the day of termination of clearing participant agreement in accordance with paragraph (7) of this article; however, at the latest when all obligations and receivables from settlement of exchange trades of clearing participant or non-clearing participant of clearing participant and the receivables connected with clearing participation are set off between the Central Depository and the clearing participant.



7. Reasons for clearing participant's agreement termination may in particular be:
- Clearing participant's notice of termination;
 - Notice of termination based upon a decision of the Central Depository board of directors on termination of clearing participation;
 - Decision on termination of participation due to loss of capability of clearing participant to be a clearing participant;
 - Termination of participation in settlement system, if a clearing participant has not proved to CSD conclusion of an agreement with a clearing agent;
 - Agreement of the parties.
8. The clearing participant agreement is terminated on the day stated in the notice of termination according to paragraph 7 (a) of this article, at earliest 6 months after clearing participant notice of termination is delivered, or on the day stated in the notice of termination based upon a decision of the Board of Directors on termination of clearing participation according to paragraph 7 (b) of this article, or on the day stated in the decision on termination of participation due to the loss of capability to be a clearing participant according to paragraph 7 (c) of this article, or on the day of termination of participation in settlement system according to paragraph 7 (d) of this article.
9. Central Depository Board of Directors is authorized to decide on termination of clearing participation according paragraph 7 (b) of this article, if clearing participant breaches its obligations arising from the clearing participation agreement or from these rules in such a serious way that damages have arisen or operations of central depository, exchange or other clearing or nonclearing participant have been put in jeopardy.
10. Clearing participant whose agreement terminates because of whatever reason, is obliged to inform in written about this fact all non-clearing participants with whom he concluded the agreement on provision of settlement, terminate this contractual relationship and invite them to conclude agreement on provision of settlement with other clearing participant.

Article 22.

Clearing participant's rights and duties

- Clearing participant is entitled to use the Central Depository services in the scope and under the conditions stated in the clearing participant agreement and these rules and for the price stated in the price list.
- Clearing participant is responsible for unconditional fulfilment of liabilities arising out of settlement of exchange trades concluded by non-clearing member with whom he has at the moment of conclusion of exchange trades an agreement on provision of settlement.
- Clearing participant is entitled to request the exchange, by the way of an application filed by the Central Depository, for immediate trading suspension and cancelling of input unmatched orders of a non-clearing member with whom he has concluded the agreement on providing of settlement.
- Clearing participant may request trading suspension and cancelling of orders according to paragraph (3) by phone, however this request has to be confirmed by a fax request within an hour.
- Clearing participant is obliged to provide deposits and contributions to the CSD Clearing Fund.
- Clearing participant is obliged to inform Central Depository about all non-clearing participants with whom he has concluded the agreement on providing of settlement or with whom he has terminated these agreements. Clearing participant informs Central Depository immediately by fax or electronic delivery. This information must be confirmed by a delivery of an original copy of the written notification. By termination of the agreement on providing of settlement, the rights and obligations of the clearing participant towards Central Depository are not affected.
- Clearing participant is obliged to inform Central Depository without undue delay about the facts influencing his legal subjectivity or influencing performance of his activities, in particular:
 - Change of his name, change of his seat or place of undertaking, change of identification number,





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- b) Initiation of proceedings on removing of his licenses, or other events that may lead to termination of the right to act as an exchange member or clearing participant in the Czech Republic,
 - c) Significant changes in his financial situation that could result in non-fulfilment of his financial obligations, initiation of insolvency proceedings, decision of insolvency court on the method of insolvency arrangement, decision on rejecting of insolvency proposal for insufficiency of assets or instituting receivership or dissolving of clearing participant.
8. Clearing participant has to follow conditions of clearing participation set by these rules for all the time of his participation.

Article 23.

Non-clearing participant

1. A non-clearing participant enters the settlement system only through a clearing participant with whom he has concluded an agreement on providing of settlement.
2. Non-clearing participant proves conclusion of the agreement according to paragraph (1) to Central Depository by delivery of model confirmation that is attached as Annex 5 to the rules. The confirmation is signed by the clearing participant and the non-clearing participant.
3. Non-clearing participant is entitled to choose or change his clearing participant.

Article 24.

Clearing agent

1. Clearing agent in the settlement system (hereinafter as **clearing agent**) may only be a settlement system participant who has concluded an agreement with a clearing participant based upon which is the clearing participant provided monetary settlement and has at least one asset account opened for dematerialised securities settlement. Clearing agent maintains this account under a new code of the participant that corresponds with CMI of this clearing participant; in case that the clearing agent is not an exchange member, he can use his participant's code for one of his clearing participant.
2. If the clearing agent is not a clearing bank, it must have a clearing services agreement signed with a clearing bank.
3. Clearing agent provides to clearing participant exchange trade settlement and fulfilment of other obligations connected to settlement according to these rules, however, he is not liable for unconditional fulfilment of obligations resulting from settlement of the exchange trades.
4. Clearing agent is entitled to use the settlement system services in the scope and under conditions set by the rules.
5. Clearing agent is obliged to inform Central Depository about all clearing participants with whom he has concluded the agreement on providing of clearing agent services or with whom he has these agreements terminated. Clearing agent informs Central Depository immediately by fax or electronic delivery. This information must be confirmed by a delivery of an original copy of the written notification. By termination of the agreement on providing of clearing agent services, the rights and obligations of the clearing agent towards Central Depository are not affected.

Article 25.

Settlement of exchange trades

1. Settlement of exchange trades (hereinafter the **settlement**), is governed by the Central Depository in accordance with these Rules.
2. Information about a concluded trade shall be received by the clearing participant or clearing agent with respect to their trades or with respect to trades of other clearing or non-clearing participants with whom he has concluded respective agreement via the settlement system immediately after conclusion of the trade in the exchange system. Subsequently, matched orders for settlement of concluded trades are put in the system in accordance with these rules.



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3. The trade is settled on the day listed in the order for settlement.
4. The CSD Clearing Fund guarantees apply to the settlement of trades. Cross trades are an exception, as they are not taken into consideration in the calculation of the required contribution in the CSD Clearing Fund. A cross trade is a trade in which the same exchange member appears on both the buying and selling side (a so-called %cross trade+).
5. Cash settlement for exchange trades is secured by the aggregation of credit amounts and debit amounts (netting) together with OTC trades for each settlement participant code and by the transfer of these amounts from accounts of clearing banks on the debit side in favour of banks on credit side.

Article 26.

Procedure in the case of a lack of financial means

1. In the case of a lack of financial means for the contribution to the CSD Clearing Fund, the Central Depository will:
 - a) inform without undue delay the CEO of the Exchange that a clearing participant does not fulfil its obligations and requests immediate suspension of the trading and cancellation of the input unmatched orders of the participant and the non-clearing participants who have concluded agreement on securing of settlement;
 - b) inform clearing participants on concluded trades that should be settled between them and failing clearing participant but that are not guaranteed by the contribution to CSD Clearing Fund and due to opened position and high quotation losses, there is a significant risk that these trades will have to be covered by additional contributions of other clearing participants or they can be reduced according to Article 36;
 - c) take measures in accordance with these rules and special regulations⁵, and is entitled to cancel settlement of trades (Article 27 (3)).
2. In the case of a lack of financial means for settlement of the trade:
 - a) The Central Depository will inform the CEO of the Exchange and will suspend the settlement of the trade and will subsequently act according to Article 29 (1) and (3).
 - b) If the debtor does not pay the amount owed by the end of the period in which the settlement is suspended, the Central Depository acts in accordance with special regulations and uses the CSD Clearing Fund.

Article 27.

Procedure in the case of a failed dematerialised securities transfer

1. If, owing to:
 - a) a lack of dematerialised securities on the asset accounts in the Central Depository register, or
 - b) the rejection of the registration for the transfer of dematerialised securities in another similar register, or
 - c) the purchasing participants' lack of financial means, or
 - d) the refusal to transfer money in the CERTIS,

the trade settlement is suspended, it is the duty of the failing participant to remedy the reason for the trade settlement suspension. The failing participant has the possibility in the additional period for carrying out of settlement to ask the Central Depository to finish the trade settlement. If the right to dispose of dematerialised securities is suspended during this period, the Central Depository shall extend this period by the appropriate number of days. The additional period is stipulated by the Time schedule as the period between the required day of settlement (S) and the commencement of substitute trades initiated by the Central Depository.

⁵ CSD Regulation - Clearing Fund Parameters



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2. If the participant is at fault for the fact that after the expiration of the additional period for settlement the settlement is not carried out successfully, the Central Depository shall cancel the trade settlement.
3. If the participant does not properly pay the contribution to the CSD Clearing Fund, the Central Depository CEO is entitled to decide on the fact that the Central Depository shall cancel settlement of the already concluded but still not settled trades of the participant.
4. The participant who caused the cancellation of the trade settlement under paragraph 2 or 3 is obliged to pay to the Central Depository the charge for the settlement cancellation in the amount stated by the Price List. This fee is payable on the following business day after the cancellation of the trade settlement on the basis of the payment order of the Central Depository into the CERTIS.
5. After the trade settlement cancellation, the Central Depository shall organize on its own initiative the substitute trades under Article 28 and shall carry out the settlement under Article 30.
6. The rules of the substitute settlement, with the exception of paragraph 5, also apply for the substitute settlement of cross trades, with the exception of own trades.

Article 28.

Substitute trade

1. A substitute trade is a trade between the failing participant and an exchange member or between two participants, initiated by the Central Depository.
2. The substitute trade is concluded:
 - a) between the counterparty of the failing participant and the exchange member, or
 - b) between two counterparties of the failing participant.
3. The Central Depository is obliged to initiate the substitute trade if the trade settlement is cancelled under Article 27 (2) or (3) on the day, the settlement was cancelled. The Central Depository shall not initiate the substitute trade according to paragraph 2 (a) if the counterparty of the failing participant is not interested in it and reports this to the Central Depository.
4. The participant of the substitute trade chosen by the Central Depository and the counterparty of the failing participant are obliged to conclude the substitute trade on the same day the Central Depository requested them to do so, in the amount of dematerialised securities that was the subject of the trade, the settlement of which was cancelled, and for the price established in paragraph 7. The counterparty of the failing participant shall inform the Central Depository on the non-conclusion of the substitute trade without undue delay.
5. The Central Depository is entitled to initiate the substitute trade under paragraph 2 (b) solely in the case that on the given day the settlement of trades with the same issue of dematerialised securities and reverse order direction was cancelled. In this case the Central Depository shall call the counterparties of the failing participant to conclude the substitute trade.
6. The substitute trade under paragraph 2 (a) involves the Central Depository calling on all the PSE members excluding the failing participant to make a price offer for the substitute purchase or substitute sale of dematerialised securities.
7. The Central Depository shall choose the best price among the offers from the addressed trading members for the announced substitute trade. In the case that multiple trading members make the same price offer to the Central Depository for the substitute trade, the Central Depository shall give preference to the earlier received offer. In case there is no price offer for dematerialised securities, the Central Depository shall proceed in accordance with Article 30 (3).
8. The substitute trade is not considered an Exchange trade and the CSD Clearing Fund guarantees do not apply to it. In the case of its non-settlement by the deadline, the provisions of this Article do not apply to it and the Central Depository only informs the Exchange CEO of the non-settlement of the substitute trade. In the case of the non-settlement of the substitute trade under paragraph 2 (b), the Central Depository shall initiate the substitute trade under paragraph 2 (a) on the day of settlement cancellation.



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9. The Exchange Trades Committee (hereinafter the **Exchange Committee**) may stipulate a limit for the price of the substitute trade. The Central Depository proceeds in accordance with the Exchange Committee decision as of the moment the decision has been delivered.
10. The price of the substitute trade under paragraph 2 (b) shall be stipulated as the arithmetic mean of the prices of the respective trades, the settlement of which was cancelled.
11. If in the case of the substitute trade under paragraph 2 (a) the best price offer from trading members under paragraph 7 differs by more than 20% from the dematerialised security rate valid at the moment the acceptance of these offers is closed, the substitute trade is deemed non-concluded and the Central Depository is entitled to proceed under Article 30 (3).
12. The substitute trade is concluded with the term of settlement T+1. A transfer order must have IV0 (under Article 9 paragraph 4 (g)) as the settlement type.
13. Sequence of Central Depository activities during the realization of the substitute trade under paragraph 2:
 - a) The Central Depository shall call the Exchange CEO or his deputy immediately after the end of the afternoon DVP settlement cycle to report that the trade was not settled due to the failure of one of the participants, and, the Central Depository shall publish this matter with the identification of the participant who caused the cancellation of the trade settlement.
 - b) The Central Depository shall initiate the substitute trade immediately after the end of the afternoon DVP settlement cycle according to the Time Schedule (Annex 1); in the offer the Central Depository is obliged to state the deadline by which the addressed trading members are to send their offers.
 - c) The Central Depository shall choose the best offer with respect to price or time from the trading members' offers according to paragraph 7 and call on both participants to conclude a substitute trade and enter it to the trading system with a settlement deadline according to paragraph 12.
 - d) The Central Depository shall publish information on the concluded substitute trade.

Article 29.

Charge for non-fulfilment of obligation

1. For every day the trade settlement is suspended according to Article 27 (1), or on the day the settlement is cancelled according to Article 27 (2) and (3), the failing participant is obliged to pay to the counterparty of the trade a charge for the non-fulfilment of the obligation.
2. The charge for the non-fulfilment of the obligation minus the part of the charge designated for the Central Depository is in the respective register of the CSD Clearing Fund charged daily in favour of the contribution of the counterparty of the failing participant as indemnification of the non-fulfilment of the obligation.
3. The amount of the charge for the non-fulfilment of the obligation is established by the fixed rate or percentage rate on the volume of the trade, the settlement of which is suspended or cancelled. The amount of rate may vary under the number of days, when the trade settlement is suspended.
4. The charge for the non-fulfilment of the obligation, including the part of charge designated for the Central Depository, is published in the price list.

Article 30.

Compensation

1. In the case that a substitute trade is concluded under Article 28, the Central Depository shall secure compensation for the price difference between the exchange trade and a substitute trade if:
 - a) the settlement was cancelled by the fault of the buyer and the price for one security listed in the instruction for the exchange trade is higher than the price for one security listed in the order for the substitute trade; or



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- b) the settlement was cancelled by the fault of the seller and the price for one security listed in the instruction for the exchange trade is lower than the price for one security listed in the order for the substitute trade.
2. The compensation under paragraph 1 is stipulated as the product of the number of dematerialised securities listed in instructions and the absolute value of the price difference for one security listed in the instruction for the exchange trade and the price for one security listed in the order for the substitute trade.
3. In the case that a substitute trade pursuant to Article 28 which was approved by the counterparty of the failing participant is not concluded, the Central Depository shall secure compensation for the exchange rate difference of the trade if:
 - a) the settlement was cancelled by the fault of the purchaser and the price for one security listed in the instruction for the exchange trade is higher than the closing exchange rate; or
 - b) the settlement was cancelled by the fault of the seller and the price for one security listed in the instruction for the exchange trade is lower than the closing exchange rate.
4. The compensation under paragraph 3 is stipulated as the product of number of dematerialised securities listed in the instruction and the absolute value of the price difference for one security listed in the instruction for the exchange trade and the closing exchange rate.
5. The closing rate under paragraph 3 and 4 means the closing rate under the special part of the Exchange Rules⁶ stipulated for the exchange day on which the settlement was cancelled under Article 27 (2) and (3).
6. The compensation is accounted in the respective CSD Clearing Fund register against the contribution of the failing participant and in favour of the contribution of its counterparty.
7. If the Central Depository initiates the substitute trade under Article 28 (2) (a) as a consequence of the non-settlement of the substitute trade under Article 28 (2) (b), the settlement of the difference between the exchange trade and the substitute trade takes into consideration the compensation the counterparty of the failing participant has already received after concluding the substitute trade under Article 28 (2) (b). The difference between the compensation from the substitute trade under Article 28 (2)(b) and the substitute trade under Article 28 (2) (a) shall be paid to the participant from the CSD Clearing Fund or shall be returned by the participant to the CSD Clearing Fund.

Article 31.

Adjustment of contribution amount in the CSD Clearing Fund

After the end of the Exchange day, the Central Depository shall compare the position of the participant with its contribution in the CSD Clearing Fund and shall give an order on the following accounting day to the CERTIS to transfer the contribution to the CSD Clearing Fund or the returned amounts from the CSD Clearing Fund.

Article 32.

CSD Clearing Fund Ě purpose and administration

1. The purpose of the CSD Clearing Fund is accumulation of financial means for securing of obligations and covering risks arising from settlement of trades concluded on the exchange by exchange members in their roles of clearing or non-clearing participants.
2. Administration of accumulated asset deposits and their use for fulfilment of the main CSD Clearing Fund purpose performs Central Depository.
3. Financial means are intended to be used for fulfilment of obligations from concluded exchange trade, in particular for payment of the fee for non-fulfilment of the participant's obligations from concluded exchange trade, trade compensation (compensation between concluded trade and substitute trade, compensation of quotation differences respectively).

⁶ Exchange Regulation . Trading Rules



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Article 33.

Asset deposit in CSD Clearing Fund

- In order to fulfil the purpose of the CSD Clearing Fund is the amount of the participants' asset deposits set based upon:
 - quotations differences of the concluded trades whose presumed settlement day did not come yet, and based upon quotation differences of trades whose settlement have been suspended or whose settlement have been cancelled, if the participant has caused the suspension of cancellation;
 - risk prognosis resulting from an open position of concluded trades, whose presumed settlement day has not come yet or whose settlement has been suspended.
- Initial amount of participant's deposit is set by a special regulation⁷ approved by the CSD Board of Directors. The amount of the participant's deposit cannot decrease below the initial amount of the deposit.

Article 34.

Recalculation of asset deposits

- For the purpose of securing the obligations from the concluded trades, the amount of participant's asset deposit kept in the CSD Clearing Fund is recalculated by Central Depository always after the exchange day ending as follows

$$MFP = MFM +/- SP +/- V +/- D$$

Where:

- MFP** participant's cash balance in the CSD Clearing Fund after the clearing of all charges and other payments
- MFM** participant's cash balance in the CSD Clearing Fund of the preceding day,
- SP** Sum of charges paid for non-compliance with obligations,
- V** Sum of offset amounts resulting from unsettled trades,
- D** Extra addition(s) to the holding contribution(s) to the CSD Clearing Fund.

Article 35.

Control

- The amount of the required deposit is calculated using the following formula:

$$OS = K3 \times \left(\sum_i KR_{N,i} + \sum_i KR_{P,i} \right) + \sum_s \left(K5_s \times \sum_i \left(\sum N_{s,i} - \sum P_{s,i} \right) \times C_{s,i} \right)$$

Where:

- OS** Cash value the participant has to have deposited to the CSD Clearing Fund;
- K3** Coefficient of the share resulting from differences in price quotations;
- KR_N** Difference of price quotation for purchases - only positive value is considered; (price per security minus the last best bid price from quotations of the dematerialised security of the issue) x number of pieces of the dematerialised securities (bonds are calculated without aliquot interest yield);
- KR_P** Difference of price quotation for sales - only positive value is considered; (the last best bid price from quotations on the dematerialised security of the issue minus price per security) x number of pieces of the dematerialised securities (bonds are calculated without aliquot interest income)
- K5_s** Coefficient of the risk arising from open position in the respective group
- ∑N_{s,i}** Total number of dematerialised securities purchased from the given issue in the respective group

⁷ CSD Regulation - Clearing Fund Parameters

$\Sigma P_{s,i}$ Total number of dematerialised securities sold from the given issue in the respective group
 $C_{s,i}$ The closing price quotation for the dematerialised security issue in the respective group
s - respective groups of dematerialised securities set by a special regulation⁸ (differentiation according to type of dematerialised security)
i - ISIN of the issue

2. The amount of the required deposits is calculated by Central Depository on a daily basis, after the exchange day's ending, following the recalculation pursuant to Article 34.
3. Values of K3 and K5 coefficients are set by a special regulation⁹ approved by the Board of Directors.
4. In the cases referred to in clause (8) herein, coefficients K3 and K5 may be increased in accordance with a special regulation¹⁰.
5. After the exchange day's ending, Central Depository continues checking on the positions of each clearing participant.

$$a. \quad OS > (1 + K4) \times MF_P$$

$$b. \quad (1 - K4) \times MF_P > OS$$

Where:

K4 CSD Clearing Fund status tolerance coefficient; its value equals to 0.05.

6. If the relation referred to in paragraph (5) (a) applies, i.e. participant has less cash in the CSD Clearing Fund, Central Depository will, on the next day, ensure additions to the fund in the amount of the difference disclosed ("participant's contribution").
7. If the relation referred to in paragraph (5) (b) applies, i.e. participant has an excess of cash in the CSD Clearing Fund, Central Depository will, on the next day, ensure transfer of the cash in the excess from fund by crediting it to the clearing participant ("refund to participant").
8. If a participant is in default with payment of its debts arising from settlement of exchange trades, or if settlement of the exchange was cancelled by Central Depository, the CEO of the Central Depository would have the power to take measures complying with a special regulation approved by the Board of Directors¹¹.

Article 36. Extra Addition to CSD Clearing Fund

1. If a participant is unable to fulfil its obligations, the other participants are obliged to add the missing amount to the CSD Clearing Fund in proportion to their own contributions. The proportion is set according to their shares on average balance of the deposit and the average balance of the deposits of all participants in the Clearing Fund of the CSD for the 30 days immediately preceding day to which falls to the beginning of the participant's inability to fulfil its obligations.
2. The participant is obliged to increase its contribution in case of failure of up to the each individual participant is at maximum seven times the amount of his average deposit set according to paragraph (1).
3. If the participant, who was unable to fulfil its obligations to CSD Clearing Fund, would fulfil his obligation subsequently, that amount would be proportionately returned to the other participants in CSD Clearing Fund.
4. If the extra addition is not sufficient for fulfilment of participant's obligations, unsettled exchange trades of an insolvent participant may be reduced; the reduction may be in the amount that exceeds the extra addition. While reducing these unsettled trades, degree of overall losses from individual trades and number of affected entities is taken into consideration (e.g. excessive deviation from relevant prices at the moment of trade conclusion might mean a suspicious or erroneous trade); the aim is to minimize overall effect on clearing participants.

⁸ CSD Regulation . Clearing Fund Parameters

⁹ CSD Regulation . Clearing Fund Parameters

¹⁰ CSD Regulation . Clearing Fund Parameters

¹¹ CSD Regulation . Clearing Fund Parameters

5. Central depository shall claim its receivables which shall arise in case of non-fulfilment of obligations of a CSD Clearing fund participant to increase his contribution or which shall arise due to reduction of exchange trades according to previous paragraphs.

Article 37. Chronological Order of Events

1. Chronological order of events and actions to be taken at Central Depository if the CSD Clearing Fund means are used due to debtor's default is as follows:

T to S	recalculation of the contribution amount deposited in the CSD Clearing Fund pursuant to Articles 34 and 35, and afterwards, subsequent dispatching of the payment order to CERTIS for the payment of the contribution to the fund or for a refund from the fund to CERTIS, respectively; if the contribution to the CSD Clearing Fund is not paid, the notification of the General Director of the Exchange and a subsequent decision to be made by the Central Depository General Director on the cancellation of the trade settlements and decision on measures to be taken in accordance with a special regulation ¹² ;
S	communication of the clearing bank on cancellation of orders for the transfer of cash; or communication of CERTIS on the non-execution of orders for transfer of cash; or information from the Central Depository Register on the non-execution of registration of the dematerialised securities transfers;
S to S + (X-1)	transfer of dematerialised securities from the buyer back to the seller; In the case the fee amount for a trade is not paid, the delivery of such information to the CEO of the Exchange and the calculation of the charge for failure to meet the obligation and transfer or the charge amount within the CSD Clearing Fund records from the debtor to the creditor;
S + X	cancellation of trade settlement and delivery of information to the CEO of the Exchange; calculation of the charge for the failure to meet the obligation and transfer or the charge amount within the CSD Clearing Fund records from the debtor to the creditor; substitute trade on Central Depository initiative; calculation of the amount needed for offsetting the difference between the exchange trade and substitute trade and calculation of the amount needed for offsetting the difference in the price quotation (bonds are calculated with aliquot interest income);

X = number of days during which trade settlement is suspended.

Article 38. Administration of CSD Clearing Fund Financial Assets

1. CSD Clearing Fund financial assets are administrated by Central Depository on a bank account with a separate analytical register for individual clearing participants. This account is maintained by a bank selected by Central Depository Board of Directors.
2. Total value of financial assets may be capitalized in cash markets in line with the instructions of CSD Clearing Fund Committee.
3. At the end of a one-month clearing period, revenues and expenses from operations effected according to paragraph (1) and (2) herein will be distributed (assessed) among individual clearing participants in proportion to the shares they take in the financial assets of the Clearing Fund of the CSD separately for the last month. The revenues thus figured out will, after deduction of expenses, be remitted by the Central Depository to the accounts of individual clearing participants.

¹² CSD Regulation . Clearing Fund Parameters

4. Central Depository collects a fee for administration of the fund and the register of deposits maintenance a service charge at the rate of 12.5 % of the total value of annual interest income and capital gains achieved.

Article 39.

Settlement of Items in CSD Clearing Fund Financial Assets

1. Depending on both the value of trades and method applied to their settlement, the following types of items (below) emerge having influence on the balance recorded for the assets deposited by individual CSD Clearing Fund participants, the transfers of cash to or from the funds inclusive:
 - a) initial deposit to CSD Clearing Fund,
 - b) extraordinary contribution to CSD Clearing Fund,
 - c) contribution to CSD Clearing Fund or refund from CSD Clearing Fund, respectively,
 - d) fee for non-fulfilment of an obligation under exchange trade,
 - e) offset of a difference between trades or differences in price quotations at the exchange,
 - f) gains (revenues), alternatively losses from investments on cash markets,
2. The settlement of the item according to paragraph 1 (a) is assured by a new clearing participant or by its own payment order credited to the account of the bank approved by Central Depository Board of Directors.
3. The settlement of the items according to paragraph 1 (b), (c) and (f) is assured on Central Depository's initiative by payment orders coming from third party via CERTIS.
4. The settlement of items (d) and (e) is only processed by a transfer in records kept by the Clearing Fund of the CSD on balances of individual participants.
5. Any and all amounts of fees and other payments pursuant to this Regulation are rounded up to whole crowns.

Article 40.

Deposits refund

1. When a participation in CSD Clearing fund comes out of its existence, the resigning participant, for which his clearing participation ceased to exist in accordance with the relevant exchange pertinent regulations and the clearing agreement, is entitled to the refund of its deposit after the participant meets all of its previous and existing obligations resulting from its exchange trades, while this can be effected in the following ways:
 - a) in the course of the clearing period, without entitlement to income-sharing for that period, or
 - b) at the end of clearing period.
2. No participant is entitled to compensation of any of its expenses associated with the cessation of its participation in the CSD Clearing Fund.

CHAPTER II. SETTLEMENT OF OVER-THE-COUNTER TRADES AND TRANSACTIONS OF SECURITIES

Article 41.

Scope of application

This Chapter regulates the manner and conditions for matching and the settlement of over-the-counter trades and dematerialised securities transactions (hereinafter the **transactions**) not concluded on the Exchange.

Article 42. Settlement

1. The settlement of transactions is carried out by the Central Depository in accordance herewith.
2. The transaction is settled on the day listed in the order for settlement.
3. The guarantees of the CSD Clearing Fund do not apply to the settlement of these transactions.
4. Cash settlement for OTC trades and transactions is secured by the aggregation of credit amounts and debit amounts (netting) together with exchange trades for registration number of participant and by the transfer of these amounts from accounts of clearing banks on the debit side in favour of banks on credit side.

Article 43. Settlement type

1. Settlement type under Article 9 (4) (g) is the three-digit code, in which the first letter determines the purpose of settlement, the second letter distinguishes whether it is settlement in the form of delivery of dematerialised securities versus payment (V) or in the form of delivery of securities free of payment (F), and the third figure or letter determines how the settlement of the respective dematerialised securities transaction shall be included in one batch in the succession of settlement of other trades, which is described in Annex 1 (Time Schedule for Dematerialised Securities Transfer).
2. The purpose of settlement distinguished by the first letter of the code %settlement type+ may be the following:
 - a) Settlement of dematerialised securities trades (E and D);
 - b) Settlement of the substitute exchange trade (I);
 - c) Transfer of dematerialised securities from own account/to own account of the participant to the client's account/from the client's account purchased/sold by the trade concluded or registered in the Exchange or Central Depository system to own account for the client (V), when:
 - i. the client requested in its instruction the purchase/sale of a certain minimum amount of dematerialised securities, which the participant purchased/sold in two or more trades;
 - ii. the client requested in its instruction the purchase/sale of dematerialised securities as of a certain date and which the participant purchased/sold with the term of settlement, which precedes/follows after this date;
 - iii. the dematerialised securities were purchased/sold in automatic trades or trades with the participation of the market maker and the transfer is implemented by means of the person who concluded with the client the written agreement on the settlement of trades in dematerialised securities, as part of which it has agreed with the client on exclusive access to its account and it has the instruction for settlement of the respective trade;
 - iv. until the moment of order matching in the exchange system, the participant who concluded the trade does not know the participant who shall settle the trade;
 - v. the client requested in its instruction settlement in a currency other than Czech crowns;
 - vi. The trade was concluded on the MTF market;
 - d) settlement of the dematerialised securities transaction (C) on the condition that none of the participants of the trade is a participant of the Central Depository and the participant who carries out the settlement did not mediate the conclusion of this trade and has signed a written agreement on the settlement of trades in dematerialised securities with the client, together with a written instruction for the settlement of the respective trade . custody transfer;



- e) settlement of loan of dematerialised securities provided the contracting parties concluded the written agreement on the loan of dematerialised securities (P);
 - f) settlement of a dematerialised securities transaction, the subject of which is the transfer of dematerialised securities determined for securing credit or a loan provided between the contracting parties against the transfer of financial means, provided that the agreement between the contracting parties was concluded in writing or the subsequent transfer of dematerialised securities determined for securing of the credit or loan without transfer of financial means (repo operation - R);
 - g) settlement of buy and sell trade in dematerialised securities (B);
 - h) settlement of technical transfer of dematerialised securities (X);
 - i) transfer of pledged dematerialised securities on the account of the participant authorized by the pledgee to sell them (Z);
 - j) securities transfer of rights assuming the appropriate agreement has been signed (G);
 - k) transfer from trades concluded at MTF (M).
3. A participant other than the one which registered the transaction in the system may not participate in the settlement of transactions under (b), (c), (d), (h), (i) and (j) of previous paragraph.
4. In the case of settlement in the form of delivery of dematerialised securities free of payment, the Central Depository does not even carry out the transfer of the amount corresponding to the volume of the trade or the transfer of the trader's commission.

Article 44. Period of validity of order for settlement

By means of data on the validity period under Article 9 (5) (a) the participant stipulates the required period of validity for the non-matched order for settlement. If an order is not matched, its validity will end on the day established by the participant, or otherwise 20 days following the order registration in the matching system.

Article 45. Matching

1. Orders given by two participants relating to the same dematerialised securities transaction must correspond to each other with respect to the data listed in Article 9 (4) (a), (b), (c), (d), (f), (g), must relate to the reverse order direction under Article 9 (4) (e) and the data in Article 9 (4) (b) must agree with the data in Article 9 (4) (i) in the order of the counterparty.
2. In orders for the settlement of the technical transfer of dematerialised securities or the settlement of dematerialised securities transfers, the data in Article 9 (4) (d) is only matching data and shall not be transferred into subsequent outputs.
3. By entering the code for the determination of the manner of order matching the participant may ensure that the orders will be matched if they agree in the data under paragraph 1 of this Article and in the code under Article 9 (5) (j).
4. Settlement orders are only included in settlement cycles if the order type specified by the participants - the transferor and the transferee according to Article 9 (4) (l) is NEWM.
5. Participants' orders for the settlement of trades concluded on the MTF market are matched and handed over to the Central Depository via MTF, and are not subsequently confirmed by the participants.

Article 46. Order cancellation

1. Orders handed over to the Central Depository for matching may be cancelled by entering an order for cancellation at any time until the moment of their matching with the order of counterparty.





2. Orders which have already been matched under the NEWM status (transfers) may be cancelled only upon a written request of the participants on both sides of the transfer. As regards trades concluded on the MTF market, matched transfers may only be cancelled on the basis of an order submitted via the MTF market.

Article 47.

Periods for settlement

1. The presumed settlement date under Article 9 (4) (f) may be stipulated by the participant within the range:
 - a) zero to fifteen accounting days after the day of matching settlement orders for settlement types DVO to DV7;
 - b) minus fifteen to ninety nine accounting days after the day of matching settlement orders for all %delivery versus payment+settlement types (with V as the middle letter of the settlement type), except for the settlement types specified under (a) of this paragraph;
 - c) minus ninety nine to ninety nine accounting days after the day of matching settlement orders for all %free of payment+settlement types (with F as the middle letter of the settlement type).
2. The presumed settlement date for trades concluded on the MTF market are defined by the market's rules, and the Central Depository shall settle such transfers as of the date defined in the settlement instruction.

Article 48.

Additional period for settlement

1. The additional period for settlement is six accounting days, commencing on the day following the day entered in the order as the presumed settlement date or the day following the settlement order matching date, if the presumed settlement date precedes the order matching date. After the expiration of this period the historicizing of the unsettled transactions is commenced under the Time Schedule.
2. For substitute trades no additional period for the settlement is permitted and the Central Depository proceeds under respective provisions of Article 26.

Article 49.

Publishing of data on settlement

Information on transactions with dematerialised securities which were settled in accordance herewith, is published by the Central Depository in the supplement to the exchange list of the Exchange or possibly in another suitable manner.

CHAPTER III. DEMATERIALIZED SECURITIES LOANING

Article 50.

Scope of application

1. This chapter provides for the conditions under which the Central Depository organizes the system of dematerialised securities loaning (hereinafter %loaning+) and associated activities.

Article 51.

Organisation of the securities loaning system

1. The securities loaning system is organised in a manner that enables the Central Depository to lend, manage, administer and operate this system.
2. For the purpose of these Rules, %loaning+ shall mean the procurement of a loan of a lender's dematerialised securities to a borrower (hereinafter the %loan+), the return of the securities



(hereinafter the **loan return**), and settlement of other rights and obligations of the loaning system participants.

Article 52. Subject of loaning

1. The subject of the loaning may include freely transferable dematerialised securities.
2. The CEO of the Central Depository shall decide which dematerialised securities referred to in paragraph (1) hereof will be accepted to the loaning system (hereinafter the **dematerialised securities admission**). The CEO shall also decide on the disqualification of accepted dematerialised securities and on their exclusion from the loaning system (hereinafter the **dematerialised securities exclusion**). The recommendation regarding the acceptance or exclusion of dematerialised securities from the loaning system can be given by the Settlement and Register Committee (hereinafter the **Committee**) or the loaning system participant.
3. The CEO's decisions made on either dematerialised securities admission or exclusion are published in the Newsletter without undue delay.
4. The procedure and other possible particulars required for dematerialised securities admission or exclusion, as well as the timing according to which dematerialised securities of the specified issue become the subject of loaning, shall be identified in the relevant Procedural Regulation to the Rules¹³ (hereinafter the **Procedural Regulation**).

Article 53. Participants in the loaning system

1. Loaning System participants are borrowers, lenders, and the Central Depository.
2. A lender is a participant accepted to the loaning system who lends dematerialised securities in its own name in accordance with these Rules. A lender may also be a legal or physical subject that is not a Central Depository participant, provided that the scope and range of rights and duties under the loaning system are contractually determined for this subject on the date of the subject's admission to the loaning system.
3. A borrower is a participant of the Central Depository settlement system who borrows dematerialised securities in its own name in accordance with these Rules. The CEO of the Central Depository is entitled to exclude a Central Depository participant from the loaning system in response to any material or recurring violation of the loaning system rules.

Odstraněno: Board of Directors

Article 54. Dematerialised securities earmarking agreement

1. In order to ensure the availability of dematerialised securities needed for the loaning system, the Central Depository and lender shall conclude a dematerialised securities earmarking contract (hereinafter the **Earmarking Agreement**). The Earmarking Agreement signed with the lender is an essential requirement for the lender's participation in the loaning system.
2. The Earmarking Agreement shall, in particular, provide for the conditions of the dematerialised securities earmarking and shall contain the authorisation for the Central Depository to arrange for the loaning of earmarked dematerialised securities; it will also contain other particulars specified in the Procedural Regulation.

Article 55. Dematerialised securities earmarking

1. Dematerialised securities earmarking shall mean the depositing of the lender's dematerialised securities in an agreed account; this shall be done under the terms established in these Rules and in the Earmarking Agreement.



2. The Central Depository undertakes to loan earmarked dematerialised securities in accordance with the Rules, taking into account both the needs of the market and the capabilities of the loaning system, while applying the "equal treatment" principle for all lenders.
3. The Central Depository will enter the suspension of the right to dispose of the reserved dematerialised securities on the lender's account in favour of the loaning system. The suspension of the right to dispose is secured by the Central Depository via a transfer to a specific subaccount, designed exclusively for dematerialised securities reserved for the loaning system.
4. Dematerialised securities earmarking shall be effective for an indefinite period, unless stipulated otherwise in the Earmarking Agreement.

Article 56.

Dematerialised securities withdrawal

1. Dematerialised securities withdrawal shall mean the deletion from this system of dematerialised securities recorded as earmarked for the loaning system; this involves the complete renewal for the lender of any and all of the rights of disposal attached to these dematerialised securities.
2. The lender is authorised to ask the Central Depository for dematerialised securities withdrawal without giving any reason. The manner in which a request for dematerialised securities withdrawal is to be filed, the particulars of this request, as well as the deadline for withdrawal of the dematerialised securities concerned, shall be provided for in the Procedural Regulation.
3. A lender's request for dematerialised securities withdrawal may:
 - a) have the same effect as revoking the Earmarking Agreement, or
 - b) include the requirement to renew the Earmarking Agreement in its full meaning after the end of the dematerialised securities withdrawal period established in the Procedural Regulation.
4. Effective the day after the delivery of a request for dematerialised securities withdrawal, the Central Depository shall not be authorised to ensure any additional loans whose subject is requested dematerialised securities, and it shall be obliged to take all actions necessary for their proper and timely withdrawal.
5. For the time the settlement of trades in dematerialised securities is suspended, the deadline laid down in the Procedural Regulation in accordance with paragraph (2) hereof shall be deferred.

Article 57.

Suspension of loaning

1. The lender shall be authorised to ask the Central Depository to suspend the loaning of dematerialised securities already earmarked in the manner specified in the Procedural Regulation.
2. The suspension of loaning shall become effective on the day stated in the loaning suspension request, the day following its delivery at the earliest.
3. From the effective moment of the loaning suspension pursuant to paragraph (2) hereof, the Central Depository shall be no longer authorised to provide any additional loans whose subject is the dematerialised securities stated in the loaning suspension request. This shall apply without prejudice to the Central Depository's duty to ensure loan returns.
4. Loaning suspension may be only requested for a period not exceeding 30 days.
5. Loaning suspension shall have no effect on the validity of the Earmarking Agreement based on which the dematerialised securities have been earmarked.

Article 58.

Lender's basic rights and duties

1. The lender shall be obliged to enable the Central Depository to earmark dematerialised securities for the loaning system in accordance with the Rules and the respective Earmarking Agreement.





2. The lender shall have the right to request the suspension of loaning, withdrawal of the dematerialised securities and shall be entitled to a dematerialised securities lending fee.
3. In relation to the Central Depository, the lender shall be entitled to transfer income from lent dematerialised securities and or to amounts due on bonds or to a portion of any of their parts the borrower was entitled to for the loan duration term. The Central Depository's responsibility for the transfer of these amounts is limited to the extent to which it was possible to transfer them from the borrower.
4. The lender is entitled to ask the Central Depository to allow the lender to exercise the rights attached to the earmarked dematerialised securities, provided that the request for withdrawal was filed in time by the lender. The lender is not authorized to do so if it has made a different written arrangement with the Central Depository.

Article 59.

The borrower's basic rights and duties

1. In accordance with these Rules and Article 64, the borrower shall have the right for loan procurement and shall be entitled to interest on collateral.
2. The borrower shall be obliged, in particular:
 - a) under the conditions established in the Rules, to deposit collateral for dematerialised securities to be borrowed and to enable adjustments in the collateral amount, unless the borrower and the Central Depository have agreed otherwise;
 - b) to return borrowed dematerialised securities on the loan return day or to do so upon the Central Depository's call by the deadline set in the Procedural Regulation;
 - c) to pay the dematerialised securities lending fee;
 - d) to make it possible for the Central Depository to transfer to the lender all the income from borrowed dematerialised securities and or amounts due on bonds or on a portion of any of their parts the lender was entitled to during the time of the loan, or to their payment in the course of an alternative delivery, as well as to separately transferable rights attached to the borrowed dematerialised securities, under the conditions established in the Procedural Regulation;
 - e) to inform the Central Depository, without undue delay, of the occurrence of any and all of the events and facts which might constitute a threat to the fulfilment of its duty pursuant to the Rules.

Article 60.

Booked loan

1. A booked loan is a transfer of the lender's dematerialised securities to the borrower from the account in which the securities have been earmarked in accordance with both the Rules and loan booking.
2. A booking is the borrower's binding request for borrowing a set number of earmarked dematerialised securities on the day stated in the booking as the loan provision date. The loan may be granted on the current accounting day or the next accounting day.
3. The Procedural Regulation determines both the booking particulars and method.

Article 61.

Prolongation of a booked loan

1. The borrower has the right to ask the Central Depository for the prolongation of a booked loan.
2. The prolongation of a booked loan shall mean the extension of the day identified in the booking as the loan return day.
3. The Central Depository shall have the right to reject a borrower's request for prolongation if the due and timely withdrawal of the lender's dematerialised securities is threatened or if the loaning of



securities is suspended. The borrower shall be informed about the rejection of prolongation without delay.

4. The prolongation of a booked loan shall not impact the limitation of the loan's entire duration term. A booked loan may be also prolonged repeatedly.
5. The Procedural Regulation shall determine conditions and requirements for a booked loan prolongation request.

Article 62.

Early termination of a booked loan

1. The Central Depository shall be authorised to terminate a booked loan early in the case of a threat to a due and timely withdrawal of the lender's dematerialised securities, provided that the purpose cannot be met otherwise.
2. Early termination of a booked loan must be approved by the Central Depository's Chief Executive Officer.
3. The Procedural Regulation shall determine conditions and requirements for the early termination of a booked loan.

Article 63.

Loan duration term

1. The loan duration term shall start on the day the dematerialised securities that are the subject of the loan are written off from the account on which these have been earmarked (loan provision date) and shall end on the day these are posted back to this account.
2. The loan duration term shall also end the moment the borrower, in accordance with the Procedural Regulation, is in default either with the loan return or collateral amount adjustment.
3. The Procedural Regulation shall determine the maximum allowable loan duration term.
4. For the time in which the right of the owner to handle the dematerialised securities is suspended, the loan duration term shall be deferred.

Article 64.

Collateral

1. Collateral shall represent a set amount of the borrower's monetary assets as a guarantee to cover the dematerialised securities to be borrowed.
2. In accordance with Article 12, collateral shall be deposited in a special, interest-bearing account maintained by the Central Depository at a selected financial institution (hereinafter the **collateral account**).
3. The collateral amount shall consist of the value of the loaned dematerialised securities plus a set extra amount. The value of the extra amount shall be determined by the CEO of the Central Depository, whose decision in this matter is published in the Newsletter. The Procedural Regulation shall provide for both the method of calculation and adjustment of the collateral.
4. During the loan duration term, the Central Depository shall perform daily computations of collateral amounts and shall pass instructions for the settlement, to the debit or credit of the account of the borrower's clearing bank at the CERTIS.
5. If the borrower does not have sufficient cash for collateral on the day the loan is granted, the Central Depository shall not provide the loan.
6. Interest on collateral shall be paid by the Central Depository to the borrower on a monthly basis in accordance with the Procedural Regulation.



Article 65.

Dematerialised securities lending fee

1. The borrower shall be obliged to pay the Central Depository a dematerialised securities borrowing fee for the duration of the loan term.
2. The amount and maturity of a dematerialised securities borrowing fee are set in the Procedural Regulation.
3. In the case the borrower is in default with the payment of a dematerialised securities borrowing fee, it shall lose the right for procurement of an additional loan until the outstanding amount of the dematerialised securities borrowing fee, increased by interest on the late payment, is paid in the amount set in the Price List.

Article 66.

Lender's fee

1. The lender is entitled to a dematerialised securities lending fee from the Central Depository for the duration of both the loan term and alternative performance.
2. The amount and maturity of the lender's fee are set in the Procedural Regulation.

Article 67.

Return of a loan

1. The borrower shall either be obliged to return the borrowed dematerialised securities on the day that is set in accordance with the Dematerialised Securities Lending Schedule or on the day stated under the respective booking as the loan return date.
2. The borrower's obligation to return borrowed dematerialised securities shall be deemed met the moment the dematerialised securities are posted to the account in which these were earmarked; this shall be done immediately once these dematerialised securities have been written off from the account specified by the borrower. The Procedural Regulation may define additional cases a loan is deemed as returned.
3. Once the obligation referred to in paragraph (2) hereof is met, the borrower has the right to the collateral in the amount deposited by the borrower in its collateral account, and this amount shall be transferred by the Central Depository to the borrower on the same day.
4. The Procedural Regulation defines both the procedure and requirements for the return of borrowed dematerialised securities.

Article 68.

Borrower's delay

1. If the borrower is delayed in returning dematerialised securities or with a collateral adjustment, the borrower shall:
 - a) be obliged to pay a penalty;
 - b) lose its entitlement to the return of the borrowed dematerialised securities;
 - c) lose its entitlement to the return of collateral;
 - d) lose its right for the procurement of an additional loan until alternate performance is completed.
2. In justified cases, the CEO of the Central Depository is authorised to decide and approve the prolongation of the period during which the borrower referred to in paragraph 1 (d) hereof, shall lose the right for the procurement of an additional loan.
3. In the event that the situation referred to in paragraph 1 hereof occurs, the Central Depository shall be obliged to proceed in compliance with the Procedural Regulation in order to procure for the lender dematerialised securities to replace those not returned. If the dematerialised securities cannot be procured for the lender in this way, the Central Depository shall be obliged to provide

Odstraněno: until the matter is decided by the Central Depository's Board of Directors



financial compensation to the lender in accordance with the Procedural Regulation (alternative delivery).

4. A borrower facing a delay shall be obliged to pay compensation for any loss suffered by the lender or the Central Depository, provided that the amount of this loss has exceeds the aggregate sum of both the Borrower's collateral plus the assessed penalty.

Article 69. Penalty fee

1. In the case the borrower referred to in Article 68 (1) hereof is in delay, the borrower shall be obliged to pay the Central Depository the penalty fee.
2. The penalty is a one-off payment, the amount and maturity of which are set in the Procedural Regulation.

Article 70. Loaning limits

1. The Central Depository is obliged to assure that all of the limits set for the loaning system are properly observed, especially the limit set as the maximum allowable volume for dematerialised securities of one single issue earmarked for loaning (per issue limit) and the limit set as the maximum allowable volume for dematerialised securities borrowed by a single borrower (per loan aggregate limit).
2. The limits are set by the decision of the CEO of the Central Depository and are simultaneously published in the Newsletter.
3. The method to be used for the determination of the limits and their amounts, as well as the imposition of any other restrictions applicable to the loaning system, is specified in the Procedural Regulation.

Article 71. Inception of participation in the loaning system

1. Central Depository participants, or other legal or physical subjects pursuant to Article 53 (2) hereof, may become participants in the loaning system on the basis of the relevant application.
2. Admission to the loaning system shall be subject to the decision of the CEO of the Central Depository, which must be made no later than 30 days from the delivery of the respective application. Participation in the loaning system shall be created for an indefinite period.
3. A lender's participation in the loaning system shall be effective on the day the Earmarking Agreement pursuant to Article 54 of the Rules is made, preceded by the relevant decision on the lender's admission.
4. The borrower's participation in the loaning system shall be effective on the day of the established participation in the Central Depository's settlement system.
5. The Procedural Regulation shall provide for the particulars of the application referred to in paragraph (1) hereof, as well as other conditions and requirements.

Article 72. Termination of borrower's participation in the loaning system

1. The CEO of the Central Depository is authorised to make decisions on the expulsion of borrowers from the loaning system, provided that:
 - a) the borrower has violated its obligations, repeatedly or in a flagrant manner;
 - b) The borrower has misused its position in conflict with the loaning system's purpose or has threatened the security of other participants in the loaning system.
2. Based on the facts referred to in paragraph (1) hereof, the CEO of the Central Depository shall be authorised to decide, with immediate effectiveness, on the suspension of a borrower's participation

Odstraněno: Board of Directors

in the loaning system until the decision on exclusion or other decision is made. The decision made by the CEO of the Central Depository on the suspension of participation in the loaning system shall be communicated to the respective borrower without undue delay.

Odstraněno: the next meeting of the Board of Directors of the Central Depository

Odstraněno: , which will either uphold or overrule the decision.

3. A written decision on exclusion from the loaning system shall be delivered to the concerned borrower without undue delay, stating the justified reason for this measure. This decision shall enter into effect on the day stated therein.
4. The termination of the borrower's participation in the loaning system shall be without prejudice to its existing rights and obligations created in connection with its borrowing. These rights and obligations must be settled in accordance with the Rules.

Article 73.

Termination of lender's participation in the loaning system

1. The CEO of the Central Depository is authorised to make decisions on the expulsion of the lender from the loaning system, provided that:
 - a) the lender has failed to meet the conditions and requirements set for participation in the loaning system;
 - b) the lender has violated its obligations from the Rules, from the Earmarking Agreement or from the agreement concluded in accordance with provision of Art. 53 second sentence, either repeatedly or in a flagrant manner;
 - c) the lender's rights to dispose of the dematerialised securities earmarked for the loaning system have been suspended, or the rights of a third person have been registered in that connection, and these do not comply with the Rules.
2. A written decision on exclusion from the loaning system shall be delivered to the concerned lender without undue delay and must state the proper reasoning.
3. The lender shall have the right to terminate its participation in the loaning system by means of a written statement addressed to the CEO of the Central Depository; no reasoning is required. The lender's participation in the loaning system may also be terminated as of the date of the withdrawal of the reserved dematerialised securities. The participation in the loaning system will also be terminated on the same day on which the latest Earmarking Agreement has ended.
4. From the moment of either the decision on the lender's exclusion or the delivery of its notice to withdraw from the loaning system, the Central Depository is obliged to take all the steps necessary for the proper and timely withdrawal of its dematerialised securities.
5. The termination of the lender's participation in the loaning system shall be without prejudice to its existing rights and obligations created in connection with its lending. These rights and obligations must be settled in accordance with the Rules.

Odstraněno: Board of Directors

Odstraněno: of the Board of Directors of the Central Depository

Article 74.

The Central Depository's responsibility and obligations with respect to the loaning system

1. The Central Depository shall be obliged to compensate other participants in the loaning system for any damage incurred to them due to the violation of its obligations specified under these Rules.
2. The Central Depository is not liable for damage incurred due to a violation of its duties if this violation resulted from circumstances excluding its liability.

Article 75.

Protection of the loaning system

1. The CEO of the Central Depository is authorised to temporarily suspend the procurement of loans in the case participants in the loaning system face the threat of a great economic loss. Any such decision will be published in the Newsletter within 3 days.

2. Those existing rights and obligations created for participants in the loaning system in connection with loaning shall remain unaffected by the action referred to in paragraph (1) of this Article and shall have to be settled in accordance with the Rules and the Procedural Regulation.

Article 76. Authorisation

The Central Depository is empowered to issue a regulation to the Rules and also a binding interpretation to the Rules, which is published in the Newsletter.

SECTION TEMPORARY AND FINAL PROVISIONS

Article 77. Procedure for solving errors

1. The Central Depository shall correct an error in the settlement based on an objection from an authorized person, based on the decision of a court or another authority, on its own initiative or pursuant to a correction in the register of investment instruments maintained by another person, if the Central Depository is requested by this subject to make the correction and accepts the request as justifiable.
2. If the Central Depository learns that the participant caused an error by its own actions and this participant:
 - a) confirms its error, both parties cooperate to quickly rectify the problem;
 - b) does not confirm its error, the dispute is solved under the rules stipulated in Article 81.
3. The persons involved in the settlement shall cooperate with the Central Depository in order to remedy the settlement error. The Central Depository will inform the parties involved of the occurrence of the settlement error, with an explanation of the reasons behind the error and how the error has been/will be remedied.
4. The Central Depository will keep records of corrected errors.

Article 78. Breach of duties

Participants who have breached their duties connected with the settlement of trades or transactions are obliged to pay to the Central Depository the charges for the breach of the respective duties in accordance with the Central Depository Price List.

Article 79. Liability

The Central Depository is not liable for potential damage incurred by participants or the third parties as the consequence of the breach of this regulation by another participant.

Article 80. Notification duty

1. The Central Depository is obliged in accordance with the law to notify the Czech National Bank without undue delay of every change in the composition of participants in the settlement system or change in the data on the participant of the settlement system¹⁴.
2. The participant shall notify the Central Depository, without undue delay, of each change in these data.

¹⁴ Art. 90c (1) of the Act



3. Upon request, the participant shall inform all the parties that prove their legitimate interest in the settlement system of the Central Depository of these Rules.

Article 81. Dispute solving

Mutual disputes between the participants and disputes with the Central Depository relating to the settlement of trades involving dematerialised securities shall be decided by the Exchange Court of Arbitration in accordance with the applicable regulations¹⁵, if the parties thus agree in the arbitration agreement entered into according to the corresponding law¹⁶. Otherwise, these disputes shall be decided by the competent court.

Article 82. Changes of settlement rules, effectiveness and publishing

1. All changes of the Rules shall be ruled on by the Board of Directors of the Central Depository.
2. Changes in the rules shall become effective upon the publication thereof, unless the Central Depository sets a later effective date. Change to the rules cannot be published until approved by the Czech National Bank.
3. An up-to-date version of these rules is also published on the Central Depository's website at www.cdcp.cz.
4. The current wording of the Rules of Settlement System is available for viewing in the registered office of the Central Depository at Rybná 14, Prague 1, in the company's central office between 9am and 4pm.

Article 83. Effectiveness of Settlement System Rules

1. These Rules were approved by the Board of Directors of the Central Depository on 15 September 2014 and become effective on 6 October 2014.

Odstraněno: <#>As of the effective date of these Rules, the second part of the Settlement System Rules, i.e. Settlement System Rules - PXE Settlement Rules, is cancelled. The legal relations resulting from the settlement of trades concluded on the regulated market organized by Power Exchange Central Europe, a.s., including the settlement of OTC trades with commodity contracts, were effectively terminated as of 31 August 2013, as a consequence of the fact that the power exchange operator chose a new settlement system operator.¶

Odstraněno: 23

Odstraněno: October

Odstraněno: 3

Odstraněno: 5

Odstraněno: December

Odstraněno: 3

¹⁵ Rules of the Exchange Court of Arbitration or Statutes of the Exchange Court of Arbitration

¹⁶ Act No. 216/1994 Coll., on Arbitration Proceedings and Execution of Arbitration Awards, as amended



**ANNEX 1 - TIME SCHEDULE OF TRADE SETTLEMENT**

Odstraněno: - - Konec stránky - -

Number	Accounting day	Estimated time	Activity of the Central Depository	Participants Activities
Process description within one accounting day S				
1	S-1	17:45	Closing of accounting day S-1 in Central Depository	
2	S	from 17:45 to 18:15	1. Opening of accounting day S in Central Depository 2. Registration and processing of non-trade transfers (stock events, services 85211 and 85213, etc.)	
3		from 17:30 to 20:00	Acceptance of modification instructions (80800 and 80801)	Dispatch of modification instructions
4		18:15	Creation of Statement of Preliminary Payment Information	Receipt of Statement of Preliminary Payment Information
5		from 17:15 to 20:00		1. Input of orders for OTC transactions and trades 2. Input of orders for 2nd settlement cycle Possibility to set or amend financial limits for settlement during the first settlement cycles
6		from 7:00 to 8:00	1. Processing of orders from CBL 2. Selection of transfers and their settlement for the first settlement cycle (repeated until no more transfers can be selected) 3. Creation of a Statement of Transfers for the first DVP settlement cycle	Settlement on grounds of set monetary limits
7		from 8:00 to 10:00 and to 11:00	for the 2nd DVP settlement cycle and for the 3rd DVP settlement	1. Receipt of Statement of Net Cash Positions (informative statement) and transfers





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Number	Accounting day	Estimated time	Activity of the Central Depository	Participants Activities
			cycle	2. Input of orders for settlement during the second and third settlement cycles 3. Dispatch of modification instructions for settlement during the second settlement cycle
8		to 8:30	Sending of payment orders to CERTIS and creation of a statement of payment orders for the first settlement cycle	Receipt of statement of payment orders
9		to 15:15	Solution of alternative settlement from the Loaning System	
11		from 8:00 to 15:30	Clearing of cash payments regarding trades from the early morning settlement cycle on day S and the creation of the Statement of Payments for the first settlement cycle	Receipt of Statement of Payments from the first DVP settlement cycle for day S
12		from 8:00 to 10:00 and 11:00 10:00, 11:00	2nd DVP settlement cycle 3rd DVP settlement cycle 1. Creation of Statement of Concluded Trades for morning settlement cycles 2. Registration of transfers in the Central Depository system for morning settlement cycles 3. Processing transfers Checking of financial limits, multi-cycle settlement and solving exceeded limits by returning investment instruments and cancelling payment orders for the 2nd and 3rd settlement cycles	Possibility to set or amend financial limits for settlement (by fax only to 9:50 for the second cycle and 10:50 for the third cycle) Receipt of Statement of Concluded Trades for 2nd and 3rd cycles (after receiving the message that the Statement is available, participants have 5 minutes to send service modification instruction 80801)
13		10:15 and	Recording of transfers for the	Receipt of Statement of



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Number	Accounting day	Estimated time	Activity of the Central Depository	Participants Activities
		11:15 from 10:30 to 16:00	2nd and 3rd DVP settlement cycles and creation of Statement of Transfers Creation of Statement of Net Cash Positions Settlement of cash payments regarding trades and the creation of Statement of Payments	Transfers for the 2nd and 3rd settlement cycles Receipt of Statement of Net Cash Positions Receipt of Statement of Payments
14		from 8:00 to 17:00 from 18:15 to 20:00	Receipt of online services <i>Receipt of online services</i>	Services of servers 85xxx
15		from 11:00 to 12:30 12:30	1. Creation of Statement of Concluded Trades for the 4th DVP settlement cycle 2. Registration of transfers for the 4th DVP settlement cycle 3. Processing transfers Checking of financial limits, multi-cycle settlement and solving exceeded limits by returning investment instruments and cancelling payment orders for the 4th DVP settlement cycle	Option for entering orders for settlement under the 4th DVP settlement cycle Possibility to set or amend financial limits for settlement under the 4th DVP settlement cycle (by fax only until 12:20) Receipt of Statement of Concluded Trades for the 4th DVP settlement cycle (after receiving the message that the Statement is available, participants have 5 minutes to send service modification instruction 80801)
16		13:00 from 13:00 to 16:00	Recording of transfers for the 4th DVP settlement cycle and creation of Statement of Transfers Creation of Statement of Net Cash Positions for the 4th DVP settlement cycle Clearing of cash payments regarding trades and creation of Statement of Payments for the 4th DVP settlement cycle	Receipt of Statement of Transfers for afternoon DVP settlement cycle Receipt of Statement of Net Cash Positions for the 4th DVP settlement cycle Receipt of Statement of Payments for the 4th DVP settlement cycle



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Number	Accounting day	Estimated time	Activity of the Central Depository	Participants Activities
17		from 12:30 to 16:00 17:15	1. Creation of Statement of Concluded Trades for the 5th DFP settlement cycle 2. Registration of transfers for the 5th DFP settlement cycle and all concluded trades in T-1 3. Processing transfers	Entering orders for settlement under the 5th DFP settlement cycle Receipt of Statement of Concluded Trades for the 5th DFP settlement cycle and all trades concluded in T-1 (after receiving the message that the Statement is available, participants have 5 minutes to send service modification instruction 80801)
18		17:40	Recording of transfers for the 5th DFP settlement cycle and creation of Statement of Transfers	Receipt of Statement of Transfers for the 5th DFP settlement cycles
19		from 13:00 to 15:00	Receipt of confirmation on executed payments from all DVP settlement cycles	
20		17:40	Historicizing and creation of Statement of Holdings	Receipt of Statement of Holdings
21		17:45	Closing of accounting day S in Central Depository	
Other activities				
22		from 8:00 to 16:30	Receipt of modification services Input of orders for OTC transactions and trades Dispatch of modification instructions	
23		from 8:00 to 17:00 from 18:15 to 20:00		Input of instructions into the Central Depository register (instructions of server 85)
24		from 8:00 to 16:25	Opening of loaning pool, execution of prolongation Checking and recalculation of	Input of reservation to loaning securities pool, application for prolongation



Number	Accounting day	Estimated time	Activity of the Central Depository	Participants Activities
			deposits in the CSD Clearing Fund, recalculation of collateral for loans	of loans Receipt of loan reservations for T +0 will end at 12:30
25		According to depository opening hours		Deposit and withdrawal of securities to/from a depository (the last possibility of securities depositing for settlement of a sale on the following accounting day)
All activities are the same as on day S on the following accounting days				
26	S+3	to 13:00	Selection of suspended exchange trades for substitute trades	
27	S+6	17:40	Historicizing of unsettled OTC trades with settlement day S	

The time data in this Settlement Time Schedule is only indicative and the Central Depository is not responsible for their fulfilment in the case of non-standard circumstances.

The Time Schedule does not include the description of additional performance in the case of unreturned loans, unsettled exchange trades or unpaid fees to the CSD Clearing Fund. The time sequence in these cases is described in the respective Exchange regulations and in the Central Depository regulations.

Method for sorting transfer orders of dematerialised securities

Sequence of transfers:

1. Transfers of dematerialised securities are sorted in the following sequence:
2. At the beginning are transfers of primary issues, transfers with code of transaction A (granting of loan) and B (return of loan), followed by all other transfers.
3. Transfers are then arranged in ascending order according to the date of settlement . first transfers with the oldest date of settlement (longest suspended transfers), at the end transfers with present time of settlement (settled on first day).
4. Transfers within the same date of settlement in descending order in accordance with code of transaction.
5. Within the same code of transaction in ascending order by ISIN.

6. Within the same ISIN in ascending order by system number of transaction (in the case of exchange trades and OTC trades that have been matched previously have a lower number).

Code of transaction	Settlement type	Type of operation	Description
A	PF4	50	Provision of securities loan in the Central Depository
B	PF3	51	Return of securities loan in the Central Depository
9	EF0, VF0, CF0, FF0, PF0, RF0, BF0, GF0	9	OTC transaction without monetary settlement
8	EV0, DV0, VV0, CV0, FV0, PV0, RV0, BV0, IV0	2 27	OTC transactions with monetary settlement Substitute trades
5	EV1, DV1, VV1, CV1, PV1, RV1, BV1	2	OTC transactions with monetary settlement
0	AVA AVC	6 6	XETRA trades XETRA cross-trade
V	EV2, DV2, VV2, CV2, PV2, RV2, BV2	2	OTC transactions with monetary settlement
S	EV3, DV3, VV3, CV3, PV3, RV3, BV3, MV3	2	OTC transactions with monetary settlement RMS trade
P	EV4, DV4, VV4, CV4, PV4, RV4, BV4	2	OTC transactions with monetary settlement
M	EV5, DV5, VV5, CV5, PV5, RV5, BV5	2	OTC transactions with monetary settlement
J	EV6, DV6, VV6, CV6, PV6, RV6, BV6	2	OTC transactions with monetary settlement
G	EV7, DV7, VV7, CV7, PV7, RV7, BV7	2	OTC transactions with monetary settlement
D	EF7, VF7, CF7, FF7, PF7, RF7, BF7, GF7	9	OTC transaction without monetary settlement
C	XF0	9	Technical transfer without price

Code of transaction - unitary transfer classification parameter, processing of statistic overviews

Settlement type consists of these 3 signs:

1. **First settlement type letter** states the category of transfer:

- A XETRA trade
- B Buy-sell transaction
- C Custody transfer that does not respond to any exchange trade
- D Published OTC block trade
- E Trade assigned out of market
- G Securing transfer of right
- I Substitute trade for exchange trade
- M Trade concluded at MTF
- P Transfer for securities loaning
- R Repo transaction
- V Custody transfer corresponding to exchange trade
- X Technical transfer

Second Settlement type letter states whether the Central Depository settles money (V) or dematerialised securities only (F) (does not include commissions)

Third Settlement type symbol . cipher states settlement priority for transfers with the same accounting date (transfers with lower numeral are settled earlier in the given cycle).

Operation type - three-digit code that states the parameters for the methods of settlement; it is used for keeping records of dematerialised securities in the Central Depository, etc.

If a payment order is rendered, the type of payment is identical to the type of operation.

ANNEX 2 - FILE OF TRANSFER ORDERS

Order item	Type of field	Length of field	Decimal place	Description
Information identifying the transfer:				
1	A	4		Code of transfer submitter
2	N	2		Year of batch origin
3	N	4		Batch number
4	N	5		Number of a transfer in a batch
5	A	1		Trade direction
6	N	12		Transaction system number
7	A	5		Branch number
8	A	11		External number
9	A	11		Client identification
10	A	11		Identification number of the record in participant's register
Account identification on the debit and credit side of transfer:				
11	N	4		Registration number of participant on the debit side of the transfer
12	N	4		Code of the settling participant on the debit side of the transfer
13	N	2		Account type code on the debit side of the transfer
14	N	2		Code of subaccount type on debit side of the transfer
15	N	4		Registration number of participant code on the credit side of the transfer
16	N	4		Submitting participant's code on the credit side of the transfer
17	N	2		Account type code on the credit side of the transfer
18	N	2		Subaccount type code on the credit side of the transfer
Basic transfer data:				
19	A	12		Code of dematerialised security - ISIN
20	N	3		Code of operation type
21	A	1		Type of transaction
22	A	3		Code of settlement type
23	N	11		Quantity of transferred dematerialised securities
24	N	15	3	Amount of transfer (not to be filled out in the case of futures contracts)
25	N	13	2	Price of transaction (for bonds in % without accrued interest)
26	N	8	5	Accrued interest (otherwise 0)
27	A	3		Currency code
28	D			Date of transfer origin
29	D			Date of presumed settlement
30	N	2		Global settlement priority
31	A	10		Identifier of person in the Central Depository
32	A	12		Account number in the Central Depository
33	A	1		Type of identifier used
34	A	11		Client identification for needs of supervisory authority
35	A	1		Application for settlement
Data of transfer processing:				
37	N	2		Code of transfer status
38	A	7		Code of transfer processing
39	A	1		Code confirming correctness of client's account
40	A	1		Transfer processing status code



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Order item	Type of field	Length of field	Decimal place	Description
41	D			Date of last processing
42	C			Time of last processing



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Additional information:				
43	D			Time of last transmission of modification service 80801 or 80800
44	K			Time of last transmission of modification service 80801 or 80800
45	N	12	0	Number of lien/co-ownership/PPN
46	A	15		Identification of the transfer for conditional settlement
7	A	15		Reserve
48	A	5		Additional transfer information
49	A	80		Processing history
50	A	80		Notes
51	N	8		Date of the accounting day of box entry
52	N	2		Sequence of entry into the box on a particular accounting day



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CENTRÁLNÍ DEPOZITÁŘ
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ANNEX 4 - STATEMENT OF THE CLEARING BANK

For Centrální depozitář cenných papírů, a.s.
Rybná 14
110 05 Praha 1

STATEMENT OF THE CLEARING BANK

In compliance with Article 6 (3) of the Rules of Settlement System

Bank:

Registered office:
(hereinafter the **Bank**)

Represented by:

undertakes,

not to change or cancel the Expression of an assent with debiting of an **payment** account of direct participant in payment system **CERTIS** dated **0 0 0 0 . . .** **authorizing** the Czech National Bank **as an operator of payment system CERTIS** to implement to the debit of the bank's payment account kept in Czech currency the clearing of third parties' orders submitted to **system** CERTIS by Centrální depozitář cenných papírů, a.s., in the event that the Bank or the participants for whom the settlement of dematerialised securities trades is intermediated fail to fulfil their obligations arising from these transactions.

The Bank is liable for damage caused by any unauthorized modification or cancellation of the **above mentioned consent**.

This statement is effective as of

In, on

.....
Name, seal and signature
of the Bank's statutory body
or its authorized representative

For Centrální depozitář cenných papírů, a.s.

Accepted on 0 0 0 0 0 0 0 0 .

.....
CEO's signature

Odstraněno: interbanking

Odstraněno: with irrevocability of settlement

Odstraněno: operated

Odstraněno: by

Odstraněno: (hereinafter the **CERTIS**) dated, authorizing CERTIS

Odstraněno: bank's

Odstraněno: statement in CERTIS.



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CENTRÁLNÍ DEPOZITÁŘ
CENNÝCH PAPIRŮ

ANNEX 5 - STATEMENT OF THE CLEARING BANK REGARDING ACCOUNTS OPERATED FOR SETTLEMENT

For Centrální depozitář cenných papír, a.s.
Rybná 14
110 05 Praha 1

STATEMENT OF THE CLEARING BANK

Bank:

Registered office:
(hereinafter the "Bank")

Represented by:

agrees

that the following settlement participant, i.e.

Business name:

Registered office:

has the following account or accounts to which Centrální depozitář cenných papír, a.s. will - to the debit of the bank's account in payment system - make payments through the payment system CERTIS operated by the Czech National Bank, resulting from the settlement of trades involving dematerialised securities, including the instructions resulting from the loaning system and instructions given by the Clearing Fund, for covering individual types of trades, in accordance with the Settlement System Rules.

account number(s)

.....

This statement is effective as of

In, on

.....
Name, seal and signature
of the Bank's statutory body
or its authorized representative

For Centrální depozitář cenných papír, a.s.

Accepted on

.....

Odstraněno: s

Odstraněno: clearing Centre

Odstraněno: of



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CEO's signature



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ANNEX 6 - STATEMENT ON THE CONCLUSION OF AN AGREEMENT ON PROVIDING SETTLEMENT (GCM)

For Centrální depozitář cenných papír, a.s.
Rybná 14
110 05 Praha 1

Statement on the conclusion of an agreement for providing trades settlement between a clearing participant and a non-clearing participant

We hereby confirm that we have concluded an agreement on providing trades settlement as set out in Art. 22 and 23 of the Settlement System Rules

Name and seat of clearing participant

Name and seat of non-clearing participant

Based upon the concluded agreement, the clearing participant confirms that he agrees with providing of settlement of trades concluded by the above mentioned non-clearing participant and with providing of contributions payment to the CSD Clearing fund.

Place, date
of clearing participant

Signatures of authorized persons signing on behalf

Place, date
exchange member

Signature of the authorized person of the

ANNEX 7 - STATEMENT ON THE CONCLUSION OF AN AGREEMENT ON PROVIDING CLEARING AGENT SERVICES (CA)

For Centrální depozitář cenných papírů, a.s.
Rybná 14
110 05 Praha 1

Statement on the conclusion of an agreement for providing clearing agent services between a clearing participant and a clearing agent

We hereby confirm that we have concluded an agreement on providing of clearing agent services as set out in Art. 24 of the Settlement System Rules

Name and seat of clearing agent

Name and seat of clearing participant

Based upon the concluded agreement, the clearing agent confirms that he agrees with providing the settlement of trades concluded by the above mentioned clearing participant and with providing payments to the CSD Clearing Fund.

Place, date
of clearing agent

Signatures of authorized persons signing on behalf

Place, date
of clearing participant

Signatures of authorized persons signing on behalf