



KDD

KDD REGULATORY TECHNICAL PROCEDURES

KDD – CENTRALNA KLIRINŠKO DEPOTNA DRUŽBA D.D.
LJUBLJANA

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TABLE OF CONTENTS

1	GENERAL PROVISIONS	5
	Article 1 Subject of Regulatory Technical Procedures	5
	Article 2 Definition of Used Terms	5
	Article 3 Classification of Securities	5
	Article 4 Communication of Messages to Securities Holders and Other Eligible Persons	5
2	KDD MEMBERS	6
	Article 5 Support Provided to KDD Members	6
	Article 6 Use of KDD Services	6
	Article 7 Usernames	7
	Article 8 Method of Service Provision	7
	Article 9 Technical Conditions Relating to Server Connection and Response Time	7
	Article 10 Cessation of Operation and Reactivation of Information System	8
	Article 10. a Qualified Digital Certificate for Electronic Signatures or Electronic Seals	8
	Article 10. b Form and Method of Submitting Orders	9
	Article 10. c Electronic Submission of Data Related to Corporate Actions	9
	Article 10. d Electronic Submission of Data to System Members	9
	Article 10. e Electronic Submission of Data between KDD and Other Information Systems	10
	Article 10. f Communication between KDD and Its Members	10
3	CENTRAL REGISTRY STRUCTURE	10
	3.1 ACCOUNT FEATURES	10
	Article 11 House Account	10
	Article 12 Client Account	10
	Article 13 Sub-accounts created due to the termination of temporary accounts	11
	Article 14 Data on Accounts Due to Connection with T2S	11
	Article 15 Auxiliary Accounts	11
	3.2 OPENING AN ACCOUNT	12
	Article 16 Entry of Data on Account Holder and Assigning Account Number	12
	Article 17 Opening a Client Account	12
	3.3 CLOSING AN ACCOUNT	12
	Article 18 Conditions for Closing an Account	12
	Article 19 Closing an Account if System Member is Excluded	12
	3.4 MAINTAINING ACCOUNTS	13
	Article 20 Entry of Data on Legal Representatives	13
	Article 21 Assignment of KID Number	13
	Article 22 Automatic Data Update	13
	Article 23 Blocking an Account	13
4	CORPORATE ACTIONS	13
	4.1 GENERAL	13
	Article 24 Application and Notification	13
	Article 25 Announcement	14
	Article 26 Non-Binding Nature of Announcement	14
	Article 27 Notification of Implemented Corporate Action	14
	4.2 ISSUE OF SECURITIES	14
	Article 28 Data in Simultaneous Issue	14
	4.3 DELETION OF SECURITIES	15
	Article 29 Data in Simultaneous Deletion	15
	Article 30 Notification of Deletion	15
	4.4 CONVERSION OF SECURITIES	15
	Article 31 Application by Analogy	15
	Article 32 Data in Simultaneous Conversion	15
	Article 33 Deposit of Shares in Material Status Restructuring	15
	4.5 ELECTIVE CORPORATE ACTIONS	15
	Article 34 Additional Data in Elective Corporate Actions	15
	Article 35 Management of Dedicated Accounts	16
	Article 36 Management of Bank Guarantee in Takeover Procedures	16
	Article 37 (deleted)	16
	4.6 PAYMENTS	16
	Article 38 Calculation of the Amount of Money	16
5	TRANSFERS OF SECURITIES AND OTHER ENTRIES	16
	5.1 COMMON PROVISIONS	16
	Article 39 Types of Transfers	16
	Article 40 Types of Other Entries	17
	Article 41 Submission of Instructions by System Member	17
	Article 42 Entry of Instructions Directly by KDD	18
	5.2 TRANSFERS OF SECURITIES	18
	Article 43 Matching Instructions	18

Article 44	Cancellation of Orders	19
Article 45	Criteria of Eligibility of Securities in Transfers Between Accounts of Same Holder	19
Article 46	Criteria of Eligibility of Securities in Transfers Between Accounts of Different Holders	19
Article 47	Special Rules Governing Certain Transfers	20
Article 48	Recycling Bilateral Orders	20
5.3	ENCUMBRANCES	21
Article 49	Criteria of Eligibility of Securities with Regard to Rights of Third Parties	21
Article 50	Criteria of Eligibility of Securities with Regard to Other Legal Facts	21
5.4	ACCESSIBILITY OF INFORMATION ON THE STATUS OF INSTRUCTION	21
Article 51	Accessibility of Information on Status of Instruction	21
6	SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS	22
6.1	GENERAL PROVISIONS	22
Article 52	Entry of Data on Stock Exchange Transactions into Information System	22
Article 53	(deleted)	22
Article 54	Method of Performing Sell-Outs, Buy-Ins and Exercise of Liens	22
6.2	PREPARATORY MEASURES FOR THE SETTLEMENT	22
6.2.1	Calculation of Financial Obligations and Claims	22
Article 55	Amount of Financial Obligation and Claim Based on Individual Stock Exchange Transaction	22
Article 56	Special Provision for Debt Securities	23
Article 57	Obligation of System Member to Pay Liquidity Reserve	23
Article 58	Information on Financial Obligation or Financial Claim	23
Article 59	Meeting Net Financial Obligations	24
Article 60	Allocation of Stock Exchange Transactions	24
Article 61	Substitute Account Upon Entry of Non-Existent Account	24
Article 62	Provision of Balance of Securities in Sellers' Accounts	24
6.3	SETTLEMENT	25
Article 63	Implementation of Settlement	25
6.4	PROCEDURES IN THE EVENT OF DELAYS	25
Article 64	Enforcing Liability of Seller System Member	25
Article 65	Activation of Guarantee Fund	25
Article 66	Sell-Out	25
Article 67	Buy-In	26
6.5	GUARANTEE FUND	26
6.5.1	Principal	26
Article 68	Principal	26
Article 69	Implementation of Payments by System Members	27
Article 70	(deleted)	27
Article 71	(deleted)	27
Article 72	(deleted)	27
6.5.2	Shares of System Members Participating in Settlement of Stock Exchange Transactions	27
Article 73	Share of System Member in Guarantee Fund	27
Article 74	Share of Member in Responsibility to Meet the Obligations of Another Member	27
6.5.3	Supplementary Payments	27
Article 75	Supplementary Payments	27
6.5.4	Management of Guarantee Fund	28
Article 76	Costs of Guarantee Fund	28
Article 77	Covering the Costs	28
Article 78	Guarantee Fund Yields	28
6.5.5	Application of Payments to Meet Obligations	28
Article 79	Right to Apply Payments to Meet System Member Obligations	28
6.6	TRANSFER OF CLAIMS AND ASSUMPTION OF OBLIGATIONS BETWEEN A STOCK EXCHANGE AND A SYSTEM MEMBER	28
Article 80	General Transfer	28
Article 81	Assignment of Registry Code Relating to Individual Transfers	28
7	ACQUISITION OF DATA FROM RECORDS MAINTAINED BY KDD	29
Article 82	General Provisions	29
Article 83	Share Registers and Registers of Holders of Other Registered Securities	29
Article 84	Certificates to Exercise Rights under Article 43 of ZNVP-1	29
Article 85	Statement of Account Balance	30
Article 86	Annual Statement of Account Balance	30
Article 87	Record of Issued Securities	30
8	TRANSITIONAL AND FINAL PROVISIONS	30
Article 88	Transitional Provisions	30
Article 89	Final Provisions	31

1 GENERAL PROVISIONS

Article 1 Subject of Regulatory Technical Procedures

- (1) The regulatory technical procedures hereunder set out in greater detail the general terms of performing KDD services.
- (2) If the procedures hereunder set out that an entry is possible or that it is not possible, this shall only constitute a description of the standard manner of the operation of the information system. It shall, however, not provide a legal assessment of the admissibility or inadmissibility of the respective entry. Legal admissibility or rather inadmissibility of a certain action must be assessed by those wishing to act in a certain manner.

Article 2 Definition of Used Terms

- (1) Terms used hereinbelow shall have the following meaning:
 - 1/ **CRVP application** is a software that supports the operations of the central registry information system;
 - 2/ **OE (order engine)** is a part of the CVRP application that processes orders entered into the central registry information system;
 - 3/ **Client** is a part of the CVRP application that acts as a user interface, enabling access to the OE;
 - 4/ **Interface for automatic order submission** is a part of the CRVP application, enabling access to the OE through a web service or the SWIFT network;
 - 5/ **EIG (External Interface Guide)** is a guide for external interfaces;
 - 6/ **Order** is either a unilateral order or a delivery or rather a receipt part of a bilateral order;
 - 7/ **Instruction** is a common designation for:
 - / unilateral orders,
 - / delivery parts of bilateral orders, and
 - / receipt parts of bilateral orders.
- (2) The definitions laid down in the Rules shall also apply to these procedures.

Article 3 Classification of Securities

- (1) The international standard applied for the issue of the unique identification number of individual types (genus) of convertible securities shall be ISO 6166 (*the ISIN code*). The international standard applied for the issue of the unique financial instrument short name shall be ISO 18774 (the FISN code).
- (2) In compliance with the ISO 10962 international standard, KDD shall also assign a CFI code to each type of securities. The CFI code remains unchanged during the lifetime of the financial instrument.
- (3) When a change of data contained in a certain type of securities occurs and this change can be implemented without converting the securities, this shall be done at the request of a member-issuer.

Article 4 Communication of Messages to Securities Holders and Other Eligible Persons

- (1) KDD shall communicate messages intended for persons that are entered in the central registry as the securities holders or as other eligible persons through the KDD system member that, in relation to the respective person, acts in the role of a holder's member, pledge member or executive member.
- (2) KDD may also communicate the message to the person referred to in Paragraph 1 directly by sending the message to their address of permanent residence or rather to their business address entered in the central registry.

- (3) In cases specified in the paragraphs above, the respective person shall be considered to have received the message three business days after the communication was sent, unless it is established that the person received the message earlier.

2 KDD MEMBERS

Article 5 Support Provided to KDD Members

- (1) KDD shall be obliged to provide system members with support and assistance in the use of the information system through an electronic user support system every business day from 7 a.m. to 4 p.m. KDD shall be obliged to ensure that messages sent by system members through the electronic user support system are also received and acknowledged on business days from 4 p.m. to 9 p.m. and on other settlement days from 11 a.m. to 7 p.m.
- (2) If KDD receives a message from a system member that is identified by KDD as an event as defined in its policy for the management of incidents and other events, KDD shall normally confirm the receipt of the message within 10 minutes and shall commence the handling, or resolution, of the issue in accordance with these procedures within a further 10 minutes.
- (3) KDD shall be obliged to provide members-issuers with expert support and assistance in the implementation of corporate actions.

Article 6 Use of KDD Services

- (1) The information system shall operate every settlement day from 7 a.m. to 6 p.m. During this period KDD shall strive to achieve a level of availability that exceeds 99.3% on an annual basis. The availability percentage is calculated as a ratio between the period when information system services are available to users and the total time of operation of the information system under this paragraph. The cause of unavailability is irrelevant (even if it originates from linked external systems such as T2S or SWIFT over which KDD has no influence). The unavailability of the information system is detected internally or on the basis of system members' notifications and is measured on the basis of the entries in KDD's internal databases and the information of the linked external systems. During the operation of the information system KDD provides a system member with the standardised data specified in the EIG within a period that does not exceed 1 minute in 99% of the inquiries and does not exceed 15 minutes for any inquiry. Non-standardised data required by a system member is provided by KDD within eight business days of the receipt of the inquiry/request.
- (2) If necessary, KDD shall extend the operating hours of the information system if the T2S technical platform extends its hours of operation due to extraordinary circumstances.
- (3) KDD does not guarantee that a particular entry will be made if during the operation of the information system all conditions are met. KDD shall make all efforts to ensure that the relevant entries in technical settlement accounts in T2S are carried out on the same settlement day provided that a sufficient amount of eligible securities is provided by 5.50 p.m. on the anticipated settlement day. When the transfer of securities is to be carried out against the payment of the purchase price, KDD shall seek to carry out relevant entries in technical settlement accounts in T2S on the same settlement day provided that a sufficient amount of eligible securities and purchase price therefor is provided by 3.50 p.m. of the anticipated settlement day at the latest.
- (4) KDD shall forward to the system members a calendar of settlement days for the following calendar year by the end of November of each year.

- (5) A system member may use KDD services using one or more member codes, one or more workstations, and one or more usernames. Workstations and usernames shall be associated with a particular member code.
- (6) KDD services may through a system member also be used by persons not employed or hired by the respective system member (indirect participation), whereby the said system member shall beforehand notify KDD thereof. The system member shall in relation to KDD remain fully accountable for the actions of these persons as if it were persons employed or hired by the said member.
- (7) KDD may require a member to use a separate member code and/or a separate username for the purpose of additional use of KDD services by a person not employed or hired by said system member (indirect participation) if that is required for proper risk management.
- (8) Provisions under Paragraphs 6 and 7 hereinabove regarding indirect participation shall also apply by analogy to the provision of the premium use of KDD services to other central securities depositories.

Article 7

Usernames

- (1) A username that enables access to the information system shall be assigned by KDD to a person for whom a system member files an application and for the type of access the member is applying for. The system member shall make sure that the username is not used by anyone other than the person it was assigned to.
- (2) KDD shall activate the username after the person who the username was assigned to:
 - 1/ meets the conditions required in relation to the qualified digital certificate, and
 - 2/ undergoes training with KDD to be able to use the information system.
- (3) KDD shall disable a username no later than the following business day after receiving due request for such cancellation from a member. KDD shall also disable access to information system if the person who the username was assigned to no longer meets the conditions required in relation to the qualified digital certificate.
- (4) If KDD significantly upgrades or changes the functions of the information system, it shall organize a training programme for persons who the username was assigned to.

Article 8

Method of Service Provision

- (1) KDD shall provide system members with access to the information system through the Client application and the interface for automatic submission of orders, namely in a manner described in EIG.
- (2) A system member shall be required to install the Client application on at least one workstation used by them for access to the information system. The installation of the Client application shall be provided by KDD through its website.
- (3) In order to use the interface for the automatic submission of orders, system members themselves must make sure to have a suitable application installed in their information system.
- (4) KDD enables system members to use a test environment for the information system. The use follows a program prepared by KDD and on the initiative of a particular system member that the latter submits at least 15 days in advance.

Article 9

Technical Conditions Relating to Server Connection and Response Time

- (1) System members shall be required to ensure secure internet access for connection with the server managed by KDD.
- (2) KDD shall guarantee to system members with secure internet access enabling connection with the server managed by KDD that under normal operating conditions the time between the receipt of the order and the response regarding the receipt and the status of order processed in the information system shall not exceed 5 seconds in

at least 95% of cases and shall not exceed 10 minutes in any case. The response time shall not include the time of the transfer of order between the member's location and the information system nor the time of transfer or processing of order in other systems (TARGET2-Slovenia, T2S) when such transfers are required for the execution of the order.

- (3) In case of failure of the primary access point, KDD shall guarantee to system members response times as set forth under Paragraph 2 hereinabove through an alternative access point provided that the member ensures secure access through an alternative internet connection as stated under Paragraph 1 hereinabove.

Article 10

Cessation of Operation and Reactivation of Information System

- (1) Should the information system cease to operate due to failure or defect in the software maintained by KDD or due to failure or defect in the CRVP application or rather due to other reasons within the accountability of KDD, the latter shall make all the efforts to reactivate the information system within two hours following the cessation of operation thereof. By making regular data backup copies KDD ensures that in the event of information system failure data loss is limited to no more than the last three minutes before the failure.
- (2) Should a system member fail to meet any of their obligations in due time due to the cessation of operation of the information system, KDD shall not be allowed to enact any sanctions against the respective member after the system reactivation for a period at least equivalent to the period usually required to meet the obligations that are overdue.
- (3) Following the information system reactivation, system members shall be obliged to check whether they have received notices of the receipt of orders submitted up to the moment of system failure. Should it happen that members have not received the notice of the receipt of order, they shall immediately notify KDD thereof. Depending on the response of KDD, the order may need to be submitted one more time.
- (4) KDD shall inform the Stock Exchange, the Agency, Bank of Slovenia and system members of such cessation of operation and reactivation of the information system as soon as possible and through appropriate channels.

Article 10. a

Qualified Digital Certificate for Electronic Signatures or Electronic Seals

- (1) System members, members-issuers or other persons may access the information system or the secure website only by using a qualified digital certificate for electronic signatures or electronic seals, which must be issued by a provider of qualified trust services.
- (2) System members, members-issuers or other persons must keep the private key of the qualified digital certificate for electronic signatures or electronic seals safe (e.g. on a smart card, smart USB key) to minimize the risk of certificate abuse.
- (3) The revocation of the qualified digital certificate for electronic signatures or electronic seals in the relation between a system member whose orders are entered by a person or sent by an application whose qualified digital certificate was revoked and KDD, or rather between a member-issuer or some other person on behalf of whom the person who has access to the system and whose qualified digital certificate was revoked, and KDD, shall take effect:
 - 1/ if the provider of qualified trust services publishes information on the revocation of qualified digital certificates for electronic signatures or electronic seals on its website: on the business day following the day when this revocation was published on the website;
 - 2/ in other cases: on the business day following the day when KDD receives notice from the system member, member-issuer or some other person of the revocation of the qualified digital certificate for electronic signatures or electronic seals.

Article 10. b Form and Method of Submitting Orders

- (1) System members may submit an order into the information system either by using the Client application or by using the interface for automatic submission of orders, in both cases in the form specified in EIG.
- (2) An order submitted by a member into the information system must be signed using a qualified electronic signature or certified using a qualified electronic seal in the form and manner set out in EIG. The private key of the qualified digital certificate for electronic signatures or electronic seals must be stored on a qualified electronic signature or qualified electronic seal creation device.
- (3) The form of the submission of orders under Paragraph 1, Article 61 of the Rules shall not be given:
 - 1/ if the order is not submitted in the form set out in EIG;
 - 2/ if the qualified electronic signature or qualified electronic seal of the order does not correspond to the public key of the qualified digital certificate for electronic signatures of the person or the qualified digital certificate for electronic seals of the application whose username was used to submit the order;
 - 3/ if the person whose username was used to submit the order was not authorized by a system member to submit orders of such type; or
 - 4/ if the order is not electronically signed in compliance with Paragraph 1 hereof.
- (4) KDD shall process orders submitted into the information system by using the OE application.

Article 10. c Electronic Submission of Data Related to Corporate Actions

- (1) A member-issuer or some other person shall submit data related to corporate actions through secure websites and in a form set out in the guide for members-issuers.
- (2) Person accessing the secure website on behalf of the member-issuer shall be enabled such access by KDD on the business day following the day of the receipt of such request by the said member. The member-issuer shall submit the request on the prescribed form and provide the public key of the qualified digital certificate for electronic signatures or qualified digital certificate for electronic seals in an electronic form.
- (3) KDD may also provide a member-issuer with data from the share register or register of other registered securities it has issued in a manner specified under Paragraph 1 hereof.

Article 10. d Electronic Submission of Data to System Members

- (1) KDD shall provide a system member with data required by the latter for the operation of back office applications, namely via web services, with contents and in the manner defined in EIG.
- (2) System members shall access the data set forth under Paragraph 1 hereinabove using the qualified digital certificate for electronic seals issued by a provider of qualified trust services.
- (3) A system member shall be provided with access under Paragraph 2 hereinabove on the business day following the day when the respective member files the application for the assignment of applicable username. The system member shall submit the application on the prescribed form and provide the public key of the qualified digital certificate for electronic seals in an electronic form.
- (4) KDD shall provide system members with access to web services set forth under Paragraph 1 hereinabove every business day and every settlement day between 6:30 a.m. and 6:30 p.m. and between 9 p.m. and 10 p.m.

- Article 10. e** **Electronic Submission of Data between KDD and Other Information Systems**
Exchange of data between KDD and other information systems, including stock exchange trading systems or other trading platforms, shall be conducted in a manner set out in EIG.
- Article 10. f** **Communication between KDD and Its Members**
- (1) Communication between KDD and its members, which is not subject to standard submission into the information system, shall be conducted by e-mail using e-mail address of KDD clani@kdd.si and e-mail address of the member designated by the said member for this purpose unless provided otherwise in specific cases. As regards the notifications related to corporate actions, e-mail address clani@kdd.si shall be replaced with e-mail address korporacijske@kdd.si. Concerning the notifications regarding settlement of stock exchange transactions, e-mail address clani@kdd.si shall be replaced with e-mail address poravnava@kdd.si. For the communication of data regarding holders of securities, address clani@kdd.si shall be replaced with address dk@kdd.si. As regards the notifications related to detected deviations from the normal operation, address clani@kdd.si shall not be used. Instead, such notifications should be sent to pomoc@kdd.si.
 - (2) If a malfunction in communications connections or other extraordinary circumstances should render electronic communication impossible, communication shall be performed in some other appropriate manner.
 - (3) A member shall immediately notify KDD of any detected deviations from the normal operation regardless of the fact whether the deviation occurred due to reasons on the member's side or reasons on the KDD side. They shall also inform KDD of any circumstances that are material to their use of the information system or to the implementation of KDD services in relation to said member.
 - (4) The member shall also designate one or several persons as contact persons for communication with KDD.

3 CENTRAL REGISTRY STRUCTURE

3.1 ACCOUNT FEATURES

- Article 11** **House Account**
- (1) A house account is an account with the following features:
 - 1/ it is designated with letter "H";
 - 2/ opening or closing of such an account requires a written notification of the respective system member;
 - 3/ it is maintained by the system member that is also the account holder.
 - (2) It is prohibited to allocate stock exchange transactions by debiting or crediting the house account.
- Article 12** **Client Account**
- (1) A client account is an account with the following features:
 - 1/ it is designated with letter "C";
 - 2/ opening or closing of such an account requires a notification of the respective system member;
 - 3/ it is maintained by a system member.
 - (2) Irrespective of Item 1, Paragraph 1 hereof, special forms of client accounts shall be designated with other letters, namely letter »P« (portfolio account), letter »U« (custodian account), letter »N« (fiduciary account), letter »T« (dedicated account) or letter »D« (pledge account).

- (3) Only entries regarding collateralisation and auto-collateralisation with the central bank may be credited or debited to a pledge account. KDD shall open an individual pledge account no later than within three business days after the receipt of notification.
- (4) Irrespective of Item 3, Paragraph 1 hereinabove, the KDD fiduciary account that is credited with securities, which are the subject of KDD custodian services, shall not be maintained by a system member. Securities in the KDD fiduciary account shall be in relation to KDD creditors considered as securities of persons that KDD renders custodian services to.

Article 13 Sub-accounts created due to the termination of temporary accounts

A sub-account created due to the termination of a temporary account is a specifically marked sub-account that records the persons entitled to securities who until 31 August 2019 had remained entered on a temporary account and that is not managed by any system member. A temporary account was an account that:

- (1) was created due to the transformation of a terminated registry account pursuant to Paragraph 1 Article 48 of the ZNVP-1
- (2) Securities may be debited to sub-accounts created due to the termination of temporary accounts if such a transfer is made in credit of an account of the same holder or its universal legal successor, which is managed by a system member, or in credit of the dereliction account or in credit of the fiduciary account of the beneficial holder under Article 296 of ZTFI-1.
- (3) Securities shall not be credited to a sub-account created due to the termination of a temporary account.
- (4) In addition to transfers referred to under Paragraph 2 hereunder, securities credited to a sub-account created due to the termination of a temporary account may only be subject to entries based on state authorities' decisions, as well as entries within corporate actions for which no actions of a holder are required.
- (5) Each holder may only have one sub-account created due to the termination of a temporary account.

Article 14 Data on Accounts Due to Connection with T2S

- (1) As regards the connection with the T2S system, data on the type of mapping is kept for each account. Possible types of mapping are N:1, 1:1 with restrictions (1:1(R)) and 1:1 without restrictions (1:1). Values 1:1R and 1:1 shall mean that this is an injective mapping (technical settlement account to which an individual account with mapping 1:1R or 1:1 is associated is not connected with any other account in the central registry). Value N:1 shall mean that another account with the same mapping (N:1), managed by the same system member, may be connected to a technical settlement account, to which an individual account with this mapping is mapped.
- (2) Data on a summary account, to which the respective account in the central registry is connected, is kept for accounts with mapping N:1.
- (3) Each account is directly or indirectly connected to the dedicated cash account in T2S (DCA).
- (4) No encumbrances may be entered on securities, credited to an account with 1: 1 type of mapping, nor may transfers of encumbered securities be carried out on them. If an encumbrance was to be entered on securities, credited to an account with the 1:1 type of mapping, they should first be credited to an account with the 1:1R or N:1 type of mapping. Pledge account is always an account with the 1:1 type of mapping.

Article 15 Auxiliary Accounts

- (1) A joint account and joint custodian account are auxiliary accounts that have the following features:

- 1/ they are designated with letter "G" (joint account) or rather with letter "V" (joint custodian account);
- 2/ opening or closing of such accounts requires a written notification of the respective system member;
- 3/ they are maintained by a system member.

A joint account or joint custodian account is used only in relation to allocation of stock exchange transactions.

- (2) A control account is designated with letter »B« and maintained by KDD.
- (3) A transitive account is designated with letter »I« and maintained by either KDD or a system member.
- (4) A summary account is designated with letter »A«.

3.2 OPENING AN ACCOUNT

Article 16 Entry of Data on Account Holder and Assigning Account Number

- (1) Upon opening of an account, data on the account holder shall be entered in the central registry. If it is a pledge account, details on pledge creditor shall be entered in the central registry upon opening of such account.
- (2) Upon opening of an account, KDD shall assign an account number based on a predefined algorithm. This shall also apply to a joint account.
- (3) Opening of an account shall always be carried out first in the central registry, and only then, if required, KDD shall open a corresponding technical settlement account in T2S.

Article 17 Opening a Client Account

- (1) A system member shall provide data on the account holder in their message related to the opening of a client account; if it is a pledge account, they shall also provide data on the pledge creditor.
- (2) Should the data on the holder specified by the system member in their message related to the opening of a client account not match the data possessed by KDD, KDD shall not authorise the opening of the said client account.

3.3 CLOSING AN ACCOUNT

Article 18 Conditions for Closing an Account

- (1) An account may be closed only if there are no securities held in credit of the account and there are no outstanding orders relating to the respective account in the central registry.
- (2) If it is an account with the 1:1 or 1:1R type of mapping, KDD shall first close the corresponding technical settlement account in T2S.

Article 19 Closing an Account if System Member is Excluded

- (1) If a system member is excluded from the membership, the respective member shall ensure the transfer of all securities in debit of the accounts maintained by said member within two months of the exclusion, and terminate any authorisations by pledge creditors or entitlements in any enforcement procedures. At the request of an eligible person, KDD may directly carry out individual transfers or other amendments to entries required due to the exclusion of a system member.
- (2) Within the deadline set forth under Paragraph 1 hereinabove, the system member shall also provide KDD with due notifications regarding the closure of all accounts the respective member maintains.

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- (3) For each month of delay in meeting the obligations hereunder, the system member shall be obliged to pay to KDD a contractual penalty in the amount of one additional membership fee charged by KDD.

3.4 MAINTAINING ACCOUNTS

Article 20 Entry of Data on Legal Representatives

- (1) If an account holder does not have legal capacity or has limited legal capacity, their account may also contain data on the legal representative as per Paragraph 1, Article 25 of the Rules.
- (2) The provisions hereunder shall also apply by analogy to other eligible parties.

Article 21 Assignment of KID Number

- (1) If the assignment of the KID number is requested by a person who is not entered in the central population register or the business register, they shall be obliged to enclose to the application a document that allows verification of the accuracy of data from Item 2 to Item 4 of Paragraph 1, Article 25 of the Rules.
- (2) If the assignment of the KID number for a person who is not entered in the central population register or the business register is requested by a system member, the latter shall be obliged to verify the accuracy of data from Item 2 to Item 4 of Paragraph 1, Article 25 of the Rules
- (3) If the assignment of the KID number is requested for the opening of a fiduciary account, this shall be explicitly stated in the application.

Article 22 Automatic Data Update

KDD shall automatically update data in the central registry based on electronic capture of data from the central population register or the business register at least once a week.

Article 23 Blocking an Account

- (1) Blocking an account shall mean technically preventing transfers of securities and entries of encumbrances in debit of a blocked account, based on instructions, entered into the central registry by a system member, and based on the settlement of stock exchange transactions.
- (2) An account may be blocked only by KDD. If it is an account with the 1:1 type of mapping, KDD shall block the corresponding technical settlement account in T2S.
- (3) Blocking an account shall not constitute an impediment for entries in credit of a blocked account nor shall it prevent deletions, carried out as a corporate action, or transfers of securities already provided for the settlement of stock exchange transactions.

4 CORPORATE ACTIONS

4.1 GENERAL

Article 24 Application and Notification

- (1) Application for an individual corporate action shall be filed on a form, posted on the KDD web page so as to make sure that the form with the required annexes is uploaded on secure websites.
- (2) KDD shall review the filed application and check if it is in accordance with the law and regulations. If the application is not in accordance with the law and regulations, KDD shall ask the applicant to make the relevant amendments and revisions. If the application is in accordance with the law and regulations, KDD shall accept it either by expressly stating that it accepts the application or asking the applicant to pay the required fee.

- (3) No special form is prescribed for notifications regarding general meetings.

Article 25 **Announcement**

- (1) On the day of announcement, KDD shall announce to all members the planned implementation of a corporate action.
- (2) The announcement of a corporate action shall include:
- 1/ type of corporate action;
 - 2/ members-issuers participating in the corporate action;
 - 3/ designation and ISIN codes of securities involved in the corporate action;
 - 4/ relevant key dates for the corporate action;
 - 5/ other essential elements of the request;
 - 6/ possible period in which no entries relating to the type of securities involved in the corporate action (blocking of securities) may be carried out in the central registry.

Article 26 **Non-Binding Nature of Announcement**

The announcement of a corporate action shall not bind KDD to implement it or to implement it in the announced manner. If despite the announcement the corporate action is not implemented, KDD shall inform system members thereof in the same manner as it announced the action.

Article 27 **Notification of Implemented Corporate Action**

Following the implementation of a corporate action, KDD shall provide all system members and the applicant requesting the implementation of the corporate action with information on the performed corporate action.

4.2 ISSUE OF SECURITIES

Article 28 **Data in Simultaneous Issue**

- (1) In the event of a simultaneous issue of securities to individually designated persons regardless of the existing ownership of securities, the member-issuer shall state the following for each person who securities are to be issued to:
- 1/ data under Items 1 to 4, Paragraph 1 of Article 25 of the Rules;
 - 2/ number of securities to be issued to said person;
 - 3/ account number of the person who the respective securities are to be issued to, and
 - 4/ if the securities that are to be issued are encumbered: all details of encumbrance that should be included in the order if the entry of the encumbrance would be performed on the basis thereof.
- (2) In the event of a simultaneous issue of securities performed on the basis of an existing ownership of a certain type of security, the member-issuer shall state the ratio according to which the securities are to be issued. When calculating the amount of securities that will be credited to a certain securities account or sub account in the event of an unrounded ratio, the rounding off to the next lesser whole number should be applied unless the member-issuer requires a different rounding method and this is in accordance with the law.
- (3) When issuing shares without the payment of contributions on the basis of the ownership of existing securities and when issuing book-entry securities which are to be converted for the existing book-entry securities, the encumbrances entered on the existing book-entry securities shall be transferred to the newly issued book-entry securities without any special request of the holder, while observing the ratio between the holder's book-entry securities which are encumbered and those that are not.

4.3 DELETION OF SECURITIES

Article 29

Data in Simultaneous Deletion

- (1) In the event of a simultaneous deletion of securities of specifically designated holders, the member-issuer shall state the following for each person whose account shall be debited for said securities:
 - 1/ data under Items 1 to 4, Paragraph 1 of Article 25 of the Rules;
 - 2/ number of securities to be deleted in debit of the account of the respective person;
 - 3/ if the person holds several accounts and not all securities held by said person are subject to deletion: the number of the account in debit of which said securities should be deleted.
- (2) With a simultaneous deletion of securities, which is performed by debiting the accounts of all holders at a specific ratio, the member-issuer shall provide the respective ratio. When calculating the amount of securities that will be deleted in debit of a certain securities account or sub account in the event of an unrounded ratio, the rounding off to the next higher whole number should be applied unless the member-issuer requires a different rounding method and this is in accordance with the law.

Article 30

Notification of Deletion

- (1) If shares are deleted due to changes in the legal organizational form of a member-issuer or due to winding up of a member-issuer as part of a procedure of material status restructuring, whereby the acquiring company is not the issuer of shares in the central registry, KDD shall include in the notification on the implemented corporate action, sent to the member-issuer or the acquiring company, also data on persons whose accounts were debited for deleted shares, including data on the number of deleted shares for each respective holder and encumbrances entered on said shares upon their deletion.
- (2) Persons who were registered as beneficiaries as regards the encumbrance on respective shares shall also be informed of the deletion by KDD.

4.4 CONVERSION OF SECURITIES

Article 31

Application by Analogy

As regards the conversion of securities, provisions hereunder relating to the issue and deletion shall apply by analogy.

Article 32

Data in Simultaneous Conversion

Members-issuers that participate in conversion shall provide the conversion ratio for respective securities. Encumbrances entered on securities that constitute the subject of deletion due to conversion shall be entered at the relevant ratio on securities that constitute the subject of issue due to conversion.

Article 33

Deposit of Shares in Material Status Restructuring

If shareholders of the acquired or transferring company are to be given own shares of the acquiring company, the latter shall be obliged to first deposit said shares with KDD, namely by crediting them free of any encumbrances to the fiduciary account of KDD. KDD shall issue a certificate of deposited shares. Upon conversion of shares, KDD shall use said shares to give them to shareholders of the acquired or the transferring company.

4.5 ELECTIVE CORPORATE ACTIONS

Article 34

Additional Data in Elective Corporate Actions

The party initiating the action must also include the following data in a request for an elective corporate action:

- 1/ the number of the account to which the securities sought to be acquired by the initiating party under the elective corporate action are to be credited (must be a single securities account);

2/ the choice (consideration) offered by the party initiating the elective corporate action.

Article 35 Management of Dedicated Accounts

Where another person authorized to deal with securities participates in an elective corporate action instead of the holder, the dedicated account shall not be managed by any KDD system member, except on the date on which KDD makes the transfers of the securities to the account of the party initiating the elective corporate action, when the dedicated account shall be managed by the system member of the person authorized to deal with the securities in respect of which the choice was made.

Article 36 Management of Bank Guarantee in Takeover Procedures

- (1) If the acquirer has already met their obligation of depositing funds by delivering a bank guarantee in line with Paragraph 4, Article 36 of ZPre-1, KDD shall, after the receipt of the Agency's decision on the success of the takeover bid, call on the acquirer to deposit funds equal to the total sum of financial claims of all accepting parties within two business days.
- (2) If the acquirer deposits the calculated sum within two business days following a due call for deposit, KDD shall return the deposited bank guarantee. Otherwise, the bank guarantee shall be realized.

Article 37 (deleted)

4.6 PAYMENTS

Article 38 Calculation of the Amount of Money

- (1) If the distribution of securities involved in a corporate action by holders' accounts is a decisive factor in the correct calculation of the amounts of money, which shall be provided by a member-issuer or another applicant requesting the implementation of the corporate action, KDD shall take into account the balance of the entire central registry upon calculation.
- (2) The amount of money to be paid to the eligible person with regard to securities in a certain account or sub account shall be expressed to whole cent. If the amount calculated on the basis of input data is not expressed to whole cent, the rounding off to the next lower cent shall be applied unless the member-issuer or another applicant requesting the implementation of the corporate action require a different rounding method and this is in accordance with the law.
- (3) If the balance in the central registry on the record date differs from the one taken into account by KDD upon calculation, and as a result of differences in the balance the actual total amount needed for payments is higher, the member-issuer or another applicant shall immediately make additional payments to cover the difference. If, as a result of differences in the balance, the actual total amount needed for payments was lower, KDD shall reimburse the difference within three days following the implementation of the corporate action.
- (4) Provisions hereunder shall also apply by analogy in cases when the payment of amounts of money is performed within another corporate action.

5 TRANSFERS OF SECURITIES AND OTHER ENTRIES

5.1 COMMON PROVISIONS

Article 39 Types of Transfers

Transfers of securities between different securities accounts include:

- 1/ transfers between accounts of the same holder,
- 2/ transfers between accounts of different holders.

Article 40**Types of Other Entries**

- (1) Other entries shall be entries, deletions and possible amendments to encumbrances on securities.
- (2) Encumbrances on securities shall be as follows:
 - 1/ rights of third parties;
 - 2/ other legal facts.
- (3) Rights of third parties shall be the following:
 - 1/ liens;
 - 2/ prohibition of disposal.
- (4) Other legal facts shall be decisions of a court or tax or supervisory authority resulting in a prohibition or restriction of the holder's disposal or a prohibition or restriction of payments in favour of the holder or the transfer of the entitlement to payments to another person or any combination of the above.

Article 41**Submission of Instructions by System Member**

- (1) Instructions submitted to the central registry by a system member shall have the following (mandatory) elements:
 - 1/ type of instruction;
 - 2/ securities the instruction refers to;
 - 3/ number of the account or sub account for securities the instruction refers to; if this is a delivery or receipt part of the order for transfer, then each part of the order must include both the number of the source as well as the number of the target account or sub account; this shall not apply if transfer is implemented in debit of a sub-account created due to the termination of a temporary account;
 - 4/ amount of securities the instruction refers to.
- (2) Delivery and receipt parts of orders for transfer shall also have the following elements:
 - 1/ trading day (i.e. the day of the conclusion of transaction that shall be implemented with the transfer of securities);
 - 2/ the anticipated date of transfer (i.e. the day when KDD initially attempts to implement the transfer), whereby this must be a day when the information system is operating, yet not before a trading day;
 - 3/ in case of debt securities: instead of the amount of securities the instruction refers to (Item 4, Paragraph 1 hereinabove), the nominal amount of securities the instruction refers to;
 - 4/ in case the instruction refers to the transfer of securities against payment of a purchase price: the amount of the purchase price, expressed in euros.
- (3) A unilateral order for the entry of the right of a third party shall include data required under the law for the respective type of third party right.
- (4) A unilateral order for a change or deletion of a lien and for deletion of prohibition of disposal, and the delivery and receipt part of the order for transfer of securities due to the execution of the lien, shall also include the code of said right.
- (5) Paragraph 2 hereinabove shall apply to a bilateral order for the entry or deletion of a lien (transfer of securities, credited or debited to a pledge account).
- (6) Following the receipt of instruction, KDD shall review whether it is eligible (they validate the instruction). If the instruction is not eligible, KDD shall disregard it. The circumstance that the anticipated date of transfer has already expired upon the submission of due instruction shall not constitute grounds for disregarding the respective instruction.

- (7) In addition to the mandatory elements, instructions may also contain other elements enabled by the information system (for example, reference, transaction indicator, and data on the change in ownership). KDD shall take these elements into consideration:
- 1/ when a system member expresses a wish to exempt the order from the effects of corporate actions;
 - 2/ when a system member expresses a wish to conclude a transaction with included/excluded securities entitlement which is granted upon the delivery corporate action;
 - 3/ in other cases if expressly provided.
- (8) Provisions under the preceding paragraphs hereof shall also reasonably apply when instructions are entered into the central registry directly by KDD or when instructions are sent to the central registry on behalf and for the account of a system member by an MTF operator (provided that it must be specified in the latter case that the operator is not sending the instructions for its own account but in its capacity as an MTF operator and on behalf and for the account of a system member who authorised the MTF operator to do so). An MTF operator may only send instructions relating to a transfer of securities against the payment of a purchase price for the securities. In entries that are based on decisions by state authorities, the securities that respective instruction refers may also be all securities in all the accounts of a respective holder or certain securities in all the accounts of a respective holder or all securities in a certain account of a respective holder.

Article 42 Entry of Instructions Directly by KDD

- (1) KDD may enter into the central registry any instruction for which there is legal basis, regardless of whether these procedures set out that it is a system member who submits the instruction to the central registry.
- (2) If the instructions refer to the transfer of securities, entry of third party rights or entry of other legal facts, KDD shall attempt to enter instructions into the central registry no later than by the fifth business day after due terms for said entry have been met.
- (3) Terms of entry of instructions from paragraphs hereinabove shall be the following:
 - 1/ KDD has been provided with all the data required for instructions to be rendered eligible as per the applicable rules and procedures;
 - 2/ KDD has been paid due compensation if such compensation is anticipated in the price list in relation to the entry of respective types of instructions.

5.2 TRANSFERS OF SECURITIES

Article 43 Matching Instructions

- (1) KDD shall match the delivery and receipt part of a bilateral order which match in all mandatory elements, in other elements considered by KDD, as well as in the reference if it is contained in both the delivery and receipt part of the order.
- (2) Irrespective of the provision under Paragraph 1 hereinabove, KDD shall also match the delivery and receipt part of an order if the amounts of the purchase price differ by 2 euros or less in sums of up to 100,000 EUR or by 25 euros or less in sums above 100,000 EUR, each time making a comparison with the lower given amount. In such case, the amount of the purchase price of the delivery part of the order shall apply.
- (3) If a respective instruction could be matched with several different instructions, it shall be matched with the one closest to it as regards the time of submission into the information system.
- (4) KDD shall attempt to match the instruction immediately after its validation.
- (5) If matching from Paragraph 4 hereinabove is not successful, KDD shall attempt to match the respective instructions until the expiration of 20 settlement days following

the anticipated date of transfer or rather until the expiration of 20 settlement days following the last change in the status of the instruction.

- (6) Should the received instructions not be matched within the period set forth under Paragraph 5 hereinabove, KDD shall delete them. Even if the instructions are matched after the expiration of the period set forth under Paragraph 5 hereinabove, they shall be considered as validly matched before they would have been deleted.

Article 44 Cancellation of Orders

- (1) The system members submitting instructions which have already been matched pursuant to Article 43 hereof may by mutual consent cancel the bilateral order, which has been generated through matching but has not yet been entered into the central registry, so that each of them sends a notification of cancellation to the central registry.
- (2) A bilateral order that has been cancelled pursuant to Paragraph 1 or 3 herein shall be deleted. A bilateral order that has yet to be entered into the central registry shall also be deleted in the event that the corporate action, on the basis of which securities that the bilateral order refers to are to be deleted from the central registry, has already begun. KDD may also delete a bilateral order that has yet to be entered into the central registry if 60 settlement days have elapsed since the relevant matching or since the intended date of transfer (whichever is later).
- (3) A unilateral cancellation of order is possible when a system member who entered the receipt part of the order, using the prescribed form published on the KDD website, and within the deadline for the notification of the buyer's selection, requires from a system member, who entered the delivery part of the order, to enforce the buyer's selection within the corporate action with the possibility of selection, and the respective system member can only do so by cancelling the order.

Article 45 Criteria of Eligibility of Securities in Transfers Between Accounts of Same Holder

- (1) Transfers of securities between accounts of the same holder shall include:
 - 1/ transfers between accounts of the same holder with the same system member;
 - 2/ transfers between accounts of the same holder with different system members;
 - 3/ transfers debiting the holder's sub-account created due to the termination of the temporary account and crediting the holder's account with the system member;
 - 4/ transfer debiting the holder's account and crediting the pledge account of the same holder.
- (2) Transfers of securities between accounts of the same holder shall be possible irrespective of entered rights of third parties. Transfers of securities as per Item 4 of Paragraph 1 hereinabove shall not be possible if they are subject to any rights of third parties.
- (3) Transfers of securities as per Items 1, 2 and 4 of Paragraph 1 hereinabove shall not be possible if they are subject to another legal fact.
- (4) Transfers of securities as per Item 3 of Paragraph 1 hereinabove shall be possible irrespective of any other entered legal fact.
- (5) Transfers of securities between accounts of the same holder shall not affect any encumbrances entered on securities that constitute the subject of transfer unless specified otherwise herein.

Article 46 Criteria of Eligibility of Securities in Transfers Between Accounts of Different Holders

- (1) Transfers of securities between accounts of different holders shall include:
 - 1/ transfers between accounts of different holders with the same system member;
 - 2/ transfers between accounts of different holders with different system members.
- (2) Transfers debiting a sub-account created due to the termination of a temporary account of one holder and crediting an account of another holder with a system

member shall not be possible, except transfers due to universal legal succession or transfers crediting a fiduciary account of a beneficial owner under Article 296 of ZTFI-1.

- (3) Transfers of securities between accounts of different holders shall not be possible if they are subject to any third party right or any other legal fact.

Article 47 Special Rules Governing Certain Transfers

- (1) Irrespective of the provisions under Paragraph 3 of Article 46 hereof, transfers between accounts of different holders shall be possible despite entered encumbrances in the following cases:
 - 1/ if the transfer of securities pertains to a transfer to an account of the universal legal successor or a partial universal legal successor;
 - 2/ if the transfer of securities pertains to the enforcement of a lien acquired outside an enforcement procedure unless there is an interim order in the central registry prohibiting the enforcement of said lien;
 - 3/ if the transfer pertains to an execution of a final enforcement decision.
- (2) Upon the transfer under Item 2 of Paragraph 1 hereinabove, the encumbrance that constituted the basis for transfer shall be deleted as well as any other third-party rights or any other legal facts entered on securities that constituted the subject of transfer and had lower priority than the lien that acted as the basis for the transfer.
- (3) Upon the transfer under Item 3 of Paragraph 1 hereinabove, the encumbrance that constituted the basis for transfer, all other third-party rights and all other legal facts entered on securities to be transferred, regardless of their order of priority.
- (4) The receipt part of the order for dereliction of securities shall be entered in the central registry directly by KDD, while the delivery part of the order shall be entered by the respective system member maintaining the holder's account, which shall be debited for such transfer. The delivery part of the order for the transfer of securities debited to the sub-account created due to the termination of a temporary account shall be entered into the central registry by KDD.

Article 48 Recycling Bilateral Orders

- (1) KDD shall strive to execute bilateral orders that fulfil all the conditions for transfer in accordance with the rules and these procedures within a period that does not exceed 10 minutes in 99% of all orders and does not exceed 30 minutes in any order, counted from the fulfilment of conditions for settlement, until settlement.
- (2) If the initial attempt to perform the transfer of securities based on a bilateral order has not been successful due to the fact that there is an insufficient amount of securities in the securities account or sub account that is set to be debited or if the purchase price has not been provided in the pertaining DCA in accordance with these procedures, KDD shall recycle such bilateral order (i.e. it shall reattempt to perform due transfer on the basis of such order) every business day from and including the anticipated date of transfer onwards until the bilateral order is deleted from the central registry as per Article 44 hereof.
- (3) Upon recycling such an order, KDD shall not amend any component thereof. This shall also apply to the amount of the purchase price in a bilateral order for the transfer of debt securities against due payment of a purchase price.
- (4) If a respective securities account or sub account contains several bilateral orders that are to be recycled at the same time, whereby all said orders refer to securities with the same unique identification number, KDD shall in their repeated attempt to perform the transfer first try to process transfers based on orders that have not been subject to any notification of cancellation in the central registry by any of the parties. Within each group of orders, KDD shall take into account the consecutive order depending on the moment of matching the respective orders, so that KDD shall first attempt to

perform transfers based on the earlier matched order. Unsuccessful attempts of transfers based on the earlier matched orders shall not constitute any impediment to transfers related to orders that were matched at a later date.

5.3 ENCUMBRANCES

Article 49

Criteria of Eligibility of Securities with Regard to Rights of Third Parties

- (1) Entries of third party rights shall not be possible if there are encumbrances on securities.
- (2) Irrespective of Paragraph 1 hereinabove, prohibition of disposal may be entered if the only prior encumbrance is a lien. Data on the lien may be changed regardless of the entered encumbrances. Data on pledge creditors in pledge accounts may not be changed.
- (3) Deletion of third party rights shall be possible regardless of the entered encumbrances.
- (4) Irrespective of Paragraph 3 hereinabove, deletion of liens shall not be possible if there is an interim order in the central registry prohibiting the enforcement of the respective lien.

Article 50

Criteria of Eligibility of Securities with Regard to Other Legal Facts

- (1) Entries of other legal facts shall be possible despite the already entered encumbrances.
- (2) Data on a legal fact may be amended irrespective of the entered encumbrances.
- (3) Deletion of other legal facts shall be possible regardless of the entered encumbrances.

5.4 ACCESSIBILITY OF INFORMATION ON THE STATUS OF INSTRUCTION

Article 51

Accessibility of Information on Status of Instruction

- (1) KDD shall enable system members to electronically verify data on the status of the instruction they have submitted in the central registry. Possible instruction statuses shall be as follows:
 - 1/ unconsidered instruction;
 - 2/ validated instruction (considered, but unmatched);
 - 3/ matched instruction (matched instruction, but not yet entered);
 - 4/ hold instruction (instruction that is not attempted to be settled nor recycled at the request of the system member submitting the instruction);
 - 5/ matched instruction on the basis of which an entry is currently being performed (ongoing settlement);
 - 6/ matched instruction for which one party has submitted notification of cancellation;
 - 7/ settled instruction (instruction on the basis of which an entry was conducted);
 - 8/ deleted instruction (instruction that was deleted without any entry being processed based thereon).
- (2) In addition to the status of instruction under Items 1, 3 and 8 of Paragraph 1 hereinabove, KDD shall also indicate the reason for such status.
- (3) A person or authority requesting that KDD enters an instruction into the central registry directly shall be notified by KDD of the entered instruction or rather of the reasons why the entry of a respective instruction has not been processed.

6 SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS

6.1 GENERAL PROVISIONS

- Article 52 **Entry of Data on Stock Exchange Transactions into Information System**
- (1) The Stock Exchange shall forward to KDD a final trading report no later than by 4:30 p.m. on each trading day.
 - (2) Information on a stock exchange transaction which was implemented on any one trading day, shall be entered into the information system by KDD on the same day.
- Article 53 (deleted)
- Article 54 **Method of Performing Sell-Outs, Buy-Ins and Exercise of Liens**
- (1) In performing sell-outs or buy-ins, KDD shall pursue the following objectives:
 - 1/ perform the sell-out or buy-in at the most favourable price possible;
 - 2/ perform the sell-out or buy-in as fast as possible.
 - (2) Neither of the objectives under Paragraph 1 hereinabove has priority over the other, but KDD shall decide, in each particular situation and taking into consideration all known circumstances and the interest of everyone affected, as well as the fact that the settlement of stock exchange transactions is performed as reliably as possible, which of the objectives under Paragraph 1 hereinabove shall have priority over the other provided that it is impossible to pursue both objectives equally and at the same time.
 - (3) Taking into consideration the provisions under Paragraphs 1 and 2 hereinabove, KDD may decide for any of the following methods of sale or purchase, as well as for any combination of the listed methods:
 - 1/ sale or purchase in the regulated market;
 - 2/ sale or purchase at a public auction;
 - 3/ sale or purchase based on binding or non-binding offers;
 - 4/ direct sale or direct purchase.
 - (4) KDD shall perform the sale of securities to exercise a lien as per Articles 88 or 94 of the Rules by reasonable application of provisions of Law of Property Code, applicable to the sale of immovable property, and by reasonable application of provisions of Paragraph 3 hereunder. If, independently of the exercise of a lien, a claim in reference to which the lien is exercised is met, KDD shall block the exercise of the lien and delete the respective lien provided that the procedure of exercising the lien can still be stopped at the time when KDD is informed thereof.

6.2 PREPARATORY MEASURES FOR THE SETTLEMENT

6.2.1 CALCULATION OF FINANCIAL OBLIGATIONS AND CLAIMS

- Article 55 **Amount of Financial Obligation and Claim Based on Individual Stock Exchange Transaction**
- (1) Financial claim and financial obligation based on an individual stock exchange transaction shall equal the purchase price which is the subject of the respective transaction.
 - (2) If the security prices are expressed in monetary amounts, the purchase price, which is the subject of the respective stock exchange transaction, shall be a product rounded off to two decimal places. It shall be the product of the following:
 - 1/ the quantity of securities which constitute the subject of the transaction, and
 - 2/ the price.

- (3) If a debt security price is expressed as a percentage of the principal, the purchase price, which is the subject of the respective stock exchange transaction, shall be a product rounded off to two decimal places. It shall be the product of the following:
 - 1/ the quantity of securities which constitute the subject of the transaction,
 - 2/ the amount of principal incorporated in securities, and
 - 3/ the price.
- (4) If the principal of a debt security is repaid in annuities, the amount of principal, incorporated in securities, shall be calculated as a sum of parts of the principal, incorporated in annuities which shall be transferred to the new holder together with the transfer of that debt security.
- (5) If the principal of a debt security is denominated in a foreign currency, it shall be translated into euro at the conversion rate of that foreign currency on the day of entering into the stock exchange transaction, the subject of which is the respective security.

Article 56 Special Provision for Debt Securities

- (1) Irrespective of Article 55 hereof, if the subject of the stock exchange transaction is a debt security where the principal bears interest, financial claim and financial obligation related to any stock exchange transaction shall equal the purchase price, which is the subject of the respective transaction, increased by accrued interest rounded off to two decimal places.
- (2) The accrued interest shall be interest from the debt security, the right to which is transferred, together with the transfer of this security, to the new holder. The interest relates to the time up to and including the day of conclusion of the stock exchange transaction.
- (3) KDD shall enable system members to obtain data on accrued interest in an individual debt security, relating to the following trading day.

Article 57 Obligation of System Member to Pay Liquidity Reserve

- (1) A net debtor system member shall be obliged to pay liquidity reserve equal to the difference between:
 - 1/ the informative amount of their net financial obligation, and
 - 2/ 25% of the principal of the guarantee fundunless this difference shall not exceed 1,000 euros, or is negative.
- (2) In the calculation under Paragraph 1 hereinabove, the principal of the past year shall be taken into consideration for trading days up to and including 30 January, while for trading days from and including 31 January, the principal of the current year shall be considered.

Article 58 Information on Financial Obligation or Financial Claim

- (1) KDD shall be obliged within the same trading day to provide a system member with information on the following:
 - 1/ the starting amount of their net financial obligation or net financial claim for that trading day, calculated on the basis of data under Article 55 hereof on the amount of financial obligations and claims from their individual stock exchange transactions;
 - 2/ the amount of possible liquidity reserve, which the system member, involved in the settlement of stock exchange transactions, shall be obliged to pay.
- (2) KDD shall inform the system member of any changes in data on net financial obligation or net financial claim, resulting from the exclusion of a stock exchange transaction, immediately after the change, but no later than by 1 p.m. of the stock exchange settlement day.

- (3) If an error occurs in the calculation of the amounts under the paragraphs above, the corrections in the calculation shall be made only if this does not have a negative impact on the course of settlement. Otherwise, the restoration of the balance due to an error shall be made within 2 business days from the date of the established error outside the procedure of the settlement of stock exchange transactions.

Article 59 Meeting Net Financial Obligations

- (1) A system member shall provide sufficient funds in their DCA for the settlement of their net financial obligations on the stock exchange settlement day by 10 a.m.
- (2) If a system member is obliged to pay liquidity reserve, they shall credit it to a fiduciary cash account by 10.00 a.m. of the business day following the trading day in reference to which the reserve was calculated.
- (3) KDD shall transfer the liquidity reserve funds in debit of the fiduciary cash account and in credit of a system member's DCA on the stock exchange settlement day.

Article 60 Allocation of Stock Exchange Transactions

- (1) A system member shall be obliged to properly allocate their stock exchange transaction (Article 80 of the Rules) by the end of trading on the business day following the conclusion of the transaction. If the business day following the conclusion of the transaction is not a trading day but a stock exchange settlement day, the system member shall be obliged to allocate the stock exchange transaction on that day by the hour by which trading is taking place on a trading day.
- (2) After the expiry of the deadline set forth under Paragraph 1 hereinabove and by 10.00 a.m. of the stock exchange settlement day, a system member shall no longer be able to allocate the transaction by entering the numbers of the relevant accounts into the information system on their own. They shall be able to do so by informing KDD, which shall then enter the account numbers into the information system. Responsibility for the relevance of data on the numbers of accounts of buyers and sellers shall be borne by a system member.

Article 61 Substitute Account Upon Entry of Non-Existent Account

If an account which does not exist in the central registry is entered in the final trading report as the seller's or buyer's account, KDD shall enter the following data in the information system:

- 1/ number of the substitute account used in such cases in relation to trading for own account, or rather
- 2/ number of substitute account used in such cases in relation to trading for the client account.

Article 62 Provision of Balance of Securities in Sellers' Accounts

- (1) A seller system member shall provide a sufficient quantity of eligible securities in accounts of end sellers by 10.a.m. of the stock exchange settlement day.
- (2) In the event that the amount of eligible securities in the seller's account does not suffice for all transfers of securities which should be debited to the respective account and credited to accounts of various buyers, it shall be deemed that the securities are provided for that stock exchange transaction for which they were first reserved.
- (3) The following entries of encumbrances on securities are of such nature that they shall terminate upon the transfer of securities to the final buyer (Paragraph 4, Article 82 of the Rules):
 - 1/ if a stock exchange transaction is concluded to enforce a lien acquired outside judicial enforcement or tax enforcement procedure: all encumbrances that have lower priority than the lien, as well as the enforced lien unless there is an interim order in the central registry prohibiting the enforcement of said lien;

- 2/ if a stock exchange transaction is concluded to execute a court decision on enforcement against securities to recover financial claims provided that a final decision of the court on such enforcement is entered in the central registry: any encumbrances irrespective of their consecutive order with regard to the order of that judicial enforcement, as well as the judicial enforcement which is being executed;
- 3/ if a stock exchange transaction is concluded to exercise the decision of a tax authority on a lien provided that the respective tax enforcement is entered in the central registry:
 - // prohibition of disposal regardless of its consecutive order with regard to the consecutive order of the respective tax enforcement;
 - // judicial enforcement on securities to recover financial claims and another tax enforcement that has lower priority than the respective tax enforcement;
 - // all other encumbrances regardless of their consecutive order with regard to the consecutive order of the respective tax enforcement, and
 - // the tax enforcement which is being executed.

6.3 SETTLEMENT

Article 63 Implementation of Settlement

KDD shall transfer securities and funds to settle stock exchange transactions by 3 p.m. of the stock exchange settlement day.

6.4 PROCEDURES IN THE EVENT OF DELAYS

Article 64 Enforcing Liability of Seller System Member

- (1) KDD may enforce liability of a seller system member if the latter fails to provide a sufficient amount of eligible securities with regard to a sales transaction in the seller's account by 10 a.m. of the stock exchange settlement day.
- (2) KDD shall be obliged to enforce liability of a seller system member if the latter fails to provide a sufficient amount of eligible securities with regard to a sales transaction in the seller's account by 1 p.m. of the stock exchange settlement day.

Article 65 Activation of Guarantee Fund

- (1) If a system member fails to provide sufficient funds to meet their net financial obligations, KDD shall debit the guarantee fund for the required funds by 3 p.m. of that day.
- (2) KDD shall inform the system member that breached their obligation to provide funds to meet their net financial obligations of the debit of the guarantee fund and notify them of the possibility that KDD may start with a sell-out and the enforcement of a lien under Article 88 of the Rules.

Article 66 Sell-Out

- (1) KDD may perform a sell-out of securities which are the subject of the purchase stock exchange transactions of a system member that is in arrears with payments and the settlement of which is made on the same stock exchange settlement day. Securities that are the subject of the sell-out shall not be credited to a final buyer's account but rather to the KDD fiduciary account.
- (2) If KDD performs a sell-out, they shall inform a system member that is in arrears with payments thereof, and also forward to them a sell-out statement.
- (3) KDD shall use the net proceeds of the sell-out to cover the net financial obligations of a system member or to cover their obligations to reimburse the amount, which debited the guarantee fund, together with statutory interest and the amount of other

or greater damages. KDD shall transfer any possible surplus in the net proceeds exceeding the amount of obligations to a system member.

- (4) If, independently of the implementation of a sell-out, the respective claim in reference to which the sell-out is exercised is paid, KDD shall block the implementation of a sell-out and transfer securities in credit of a buyer if the procedure of implementing a sell-out can still be stopped at the time when KDD is informed of the payment.
- (5) KDD shall also implement a sell-out if a buyer system member fails to meet their obligations related to an individual purchase transaction under Article 60 hereunder even within a reasonable additional period. They shall do so by communicating in writing the data required for the transfer of securities in credit of the buyers' accounts.
- (6) KDD shall inform a buyer system member of the sale under Paragraph 5 hereinabove and forward to them a statement on the performed sale. KDD shall transfer the net proceeds of the sale in credit of the cash account of a buyer system member.

Article 67

Buy-In

- (1) When KDD starts to enforce the liability of a seller system member it immediately calls on the buyer system member to state whether they insist on the purchase of securities or whether they withdraw from it. The buyer system member shall express their intention regarding the above on the same day.
- (2) If the buyer system member insists on the purchase of securities, KDD shall call on the seller system member to immediately make an advance payment to cover the costs of a buy-in amounting to 110% of the financial claim arising from a stock exchange transaction in relation to which they failed to meet their obligation to provide securities.
- (3) KDD shall implement the buy-in in debit of the received advance payment. In the event of a surplus or failure of a seller system member to make the advance payment, the buy-in shall be implemented in debit of the guarantee fund.
- (4) KDD shall inform the seller system member and the buyer system member of the performed buy-in, and forward to the seller system member a statement on the buy-in. KDD shall transfer securities obtained through a buy-in in credit of the buyer's account, and, after meeting all the obligations to the buyer system member, pay to a seller system member any remaining balance of the advance payment.
- (5) If a seller system member subsequently transfers, in accordance with the rules, securities in credit of the KDD fiduciary account, KDD shall inform the buyer system member thereof, transfer securities in credit of the buyer's account and reimburse any remaining balance of the advance payment to the seller system member.
- (6) If during the implementation of a buy-in the buyer system member states that they are withdrawing from the purchase of securities, KDD shall block the implementation of the buy-in if this is still possible at the time when KDD receives such statement from a buyer system member. Otherwise, KDD shall not permit the withdrawal.

6.5 GUARANTEE FUND

6.5.1 PRINCIPAL

Article 68

Principal

- (1) The principal of the guarantee fund shall amount to 160% of the average total daily amount of net financial obligations in the past year. The total daily amount of net financial obligations per each trading day shall equal the sum of all net financial obligations on that respective day. The average total daily amount of net financial obligations in a single year shall equal the sum of total daily amounts of net financial obligations per individual trading days in that year, divided by the number of trading days in that respective year.

- (2) System members that participate in the settlement of stock exchange transactions shall pay a half of the principal in equal amounts, while the other half shall be paid in proportion to their average daily amounts of net financial obligations in the past year.

Article 69 **Implementation of Payments by System Members**

- (1) KDD shall be obliged to inform system members of the amounts of payments at the beginning of year.
- (2) If the payment is higher than the last payment made, a system member shall be obliged to pay the difference into the guarantee fund by 31 January.
- (3) If the payment is lower than the last payment made, KDD shall be obliged to reimburse the difference to a system member by 31 January.
- (4) Notwithstanding Paragraph 1 Article 68, a system member that takes part in the settlement of stock exchange transactions during the year shall be obliged to pay into the guarantee fund the amount equal to the then applicable amount of the average payment of other system members participating in the settlement of stock exchange transactions.
- (5) Notwithstanding Paragraph 1 Article 68, system members that take part in the settlement of stock exchange transactions shall not be committed to higher payments into the guarantee fund if the participation of any of these members ceases at any time during the year.

Article 70 (deleted)

Article 71 (deleted)

Article 72 (deleted)

**6.5.2 SHARES OF SYSTEM MEMBERS PARTICIPATING IN
SETTLEMENT OF STOCK EXCHANGE TRANSACTIONS**

Article 73 **Share of System Member in Guarantee Fund**

- (1) A share of a system member in the guarantee fund shall equal the ratio rounded off to four decimal places. This shall be the ratio between the following:
- 1/ payments actually made by that member,
 - 2/ sum of all payments made.
- (2) When calculating a system member's share in the guarantee fund, it shall be deemed that payments into and out of the fund due to the start or termination of participation of a system member in the settlement of stock exchange transactions were made on the day when the new calculation became effective.

Article 74 **Share of Member in Responsibility to Meet the Obligations of Another Member**

A share of a system member in the responsibility to meet the obligations of another system member shall equal the ratio rounded off to four decimal places. This shall be the ratio between the following:

- 1/ share of a system member in the guarantee fund, and
- 2/ sum of all system members' shares in the guarantee fund minus the share of a system member whose obligation shall be the subject of responsibility.

6.5.3 SUPPLEMENTARY PAYMENTS

Article 75 **Supplementary Payments**

- (1) If a payment is made in debit of the guarantee fund or if KDD assesses there is high probability of such a payment, other system members participating in the settlement of stock exchange transactions shall be obliged to make supplementary payments into

the guarantee fund in order for the balance of the guarantee fund to reach the principal or would reach the principal if such payments had to be made.

- (2) Supplementary payment which is to be made by an individual system member shall be in proportion to the share of that member in the responsibility to meet the obligations of another system member.
- (3) System members shall make their supplementary payments by 9.15 a.m. of the day following the receipt of the invitation from KDD.
- (4) When a payment is made into the guarantee fund to repay a system member's obligations so that the balance of the guarantee fund without taking into consideration supplementary payments exceeds the principal, KDD shall reimburse supplementary payments to system members. KDD shall reimburse supplementary payments to members also if the probability under Paragraph 1 hereunder does not materialise.

6.5.4 MANAGEMENT OF GUARANTEE FUND

Article 76

Costs of Guarantee Fund

Costs of the guarantee fund shall be the costs of payment transactions and other costs related to the management of the guarantee fund assets.

Article 77

Covering the Costs

- (1) Costs of the guarantee fund management shall be levied on system members in proportion to their share in the guarantee fund, namely at the beginning of year for the past year.
- (2) Irrespective of the provision under Paragraph 1 hereof, KDD shall levy on a system member whose membership terminates during the year a corresponding share of costs after the termination of membership.

Article 78

Guarantee Fund Yields

- (1) Guarantee fund yields shall represent a positive or negative outcome of the management of the guarantee fund assets.
- (2) Guarantee fund yields shall be calculated at the beginning of year for the past year.
- (3) A system member shall be entitled to positive yields of the guarantee fund in proportion to their relevant share under Article 73 of the Rules hereunder. A system member shall cover a negative yield of the guarantee fund in proportion to their relevant share under Article 73 of the Rules hereunder.

6.5.5 APPLICATION OF PAYMENTS TO MEET OBLIGATIONS

Article 79

Right to Apply Payments to Meet System Member Obligations

In the event that a system member is, under the provisions hereunder relating to the guarantee fund, entitled to a payment, KDD shall have the right to use that amount instead of payment to that member to meet or insure the meeting of the respective member's obligations that exist or will exist to KDD or to other persons with regard to KDD membership.

6.6 TRANSFER OF CLAIMS AND ASSUMPTION OF OBLIGATIONS BETWEEN A STOCK EXCHANGE AND A SYSTEM MEMBER

Article 80

General Transfer

Statement on general transfer may be submitted to KDD only by a stock exchange member who is also a member of KDD.

Article 81

Assignment of Registry Code Relating to Individual Transfers

- (1) If a system member requires an assignment of the RK2 or RK3 registry code, they shall either provide in their request the number of the account in debit or credit of which the obligation of the transfer of securities from transactions, designated with

this code, is met, or require the opening of a joint account or rather a joint custodian account to that end.

- (2) As an account under Paragraph 1 hereunder, only the following may be given:
 - 1/ a client account;
 - 2/ a house account;
 - 3/ a portfolio account;
 - 4/ a fiduciary account;
 - 5/ a pledge account;
 - 6/ a custodian account;
 - 7/ a joint account;
 - 8/ a joint custodian account.
- (3) A stock exchange member shall use an individual registry code in such a way that an immediate control of the accuracy of the account number associated with the respective registry code is made possible through the trading information system and the information system.
- (4) The same registry code may be used to designate stock exchange transactions with different stock exchange members if relevant rights and obligations from all these transactions are taken over by one system member, and the settlement of securities, if the latter is the subject of the transfer, will be made in credit or debit of the same account managed by the respective system member.
- (5) If conditions for the assignment of the registry code are met, KDD shall assign the code and communicate it to the system member within five business days from the receipt of the request.

7 ACQUISITION OF DATA FROM RECORDS MAINTAINED BY KDD

Article 82 General Provisions

- (1) In addition to information the acquisition of which shall be expressly governed by the provisions hereunder, other information may also be obtained from the records kept by KDD if the required statutory conditions are met. To obtain such information, the provisions hereunder shall be applied by analogy.
- (2) The acquisition of information from records kept by KDD may be difficult if information relates to securities involved in a corporate action.

Article 83 Share Registers and Registers of Holders of Other Registered Securities

- (1) KDD shall enable the acquisition of public information from the share register or register of other registered securities within two business days after the conditions are met by a person requiring the data.
- (2) If the information is required by a member-issuer of the securities the inquiry relates to, KDD shall enable the acquisition of data, including the unique identification number of natural persons, no later than within the following business day after the fulfilment of the conditions.

Article 84 Certificates to Exercise Rights under Article 43 of ZNVP-1

KDD shall issue a certificate enabling the exercise of rights under Article 43 of ZNVP-1 no later than within three business days after the conditions are met.

Article 85**Statement of Account Balance**

- (1) KDD shall be obliged to issue a statement of balance in accounts to the holder of securities or rather to a system member no later than the business day after the conditions are met.
- (2) KDD shall be obliged to issue a statement of balance to other person entitled by law to access information about the balance in accounts no later than within two business days after the conditions are met. A unique identification number of the holder must be given in the request for the statement of balance.
- (3) In the statement of balance, KDD shall be obliged to separate securities credited to a sub-account created due to the termination of a temporary account from all other securities. With securities credited to a sub-account created due to the termination of a temporary account, KDD shall be obliged to clearly indicate the relevant warning of the consequences stipulated under Article 48a of the ZNVP-1.

Article 86**Annual Statement of Account Balance**

- (1) The annual statement of balance in accounts shall be the statement of balance in holder's accounts as at the last day of the past year.
- (2) The statement under Paragraph 1 hereunder may be issued either in written or in an electronic form.
- (3) The form in which the annual statement of balance is issued shall be selected by a holder at any time during the year. It shall be deemed that the holder who is a legal person as well as other holders, entered in the business register with a registration number, selected the issue of the annual statement of balance in printed form. This shall not prevent the holder to obtain the annual statement of balance in electronic form as well.
- (4) The annual statement of balance shall be free of charge.

Article 87**Record of Issued Securities**

- (1) KDD shall enable anyone to obtain data from the record of issued securities no later than within two business days after the conditions are met.
- (2) Information on the record of issued securities (unique identification number and codes of securities entered in the records, including members issuing said securities) shall be published by KDD on their website.

8**TRANSITIONAL AND FINAL PROVISIONS**

Article 88**Transitional Provisions**

- (1) For usufructs, redemption rights and pre-emption rights entered into the central registry prior to the entry into force of the ZNVP-1, and irrespective of the provision under Paragraph 2, Article 89 of these Procedures, the KDD Regulations of 4 October 2012 and KDD Regulations for the Settlement of Stock Exchange Transactions of 19 August 2010 shall continue to apply as they applied on the day prior to the entry into force of the ZNVP-1.
- (2) For liens entered into the central registry prior to the entry into force of the ZNVP-1A and which are not first in the order of priority, irrespective of the provision under Paragraph 2, Article 89 of these Regulations, the KDD Regulations of 4 October 2012 and KDD Regulations for the Settlement of Stock Exchange Transactions of 19 August 2010 shall continue to apply as they applied on the day prior to the entry into force of the ZNVP-1A.

Article 89**Final Provisions**

- (1) Amendments to procedures hereunder shall be adopted by the KDD management board. Upon any amendment to the procedures hereunder, the management board shall confirm the consolidated text thereof.
- (2) The management board shall be obliged to present the proposal of amendments to procedures to system members and the users' committee at least fifteen days prior to the session of the management board where it will be decided on adopting the said amendments.
- (3) Procedures, amendments thereto and the consolidated text thereof shall be published on the KDD website.