

# **KELER CCP Ltd.**

## **Organizational and Operational Regulation**

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## **I. General part**

### **1.1 Introductory provisions**

The purpose of the Organizational and Operational Regulation (hereinafter: OOR) is to integrate in a uniform system the principles and the rules of the organization and the operation of KELER CCP Central Counterparty Limited (hereinafter: Company).

The OOR contains rules in line with the nature and the governance of the Company; describes the scope of activities and documents the organization established to perform the tasks, the executive and control bodies of the Company, their responsibilities and authorities, the rights and obligations of employees, the responsibilities and the authorities of the various bodies of the Company, their relationships.

Compliance with (having the OOR complied with) is the primary obligation of the executive officers and employees of the Company.

The Company is a member of the KELER Group. The KELER Group includes the Company and KELER Central Depository Ltd. (hereinafter: KELER), its parent company.

The OOR took into account Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (hereinafter: EMIR); the provisions of Act CXX of 2001 on The capital market (hereinafter: Tpt.) applicable to the Company; Act V of 2013 on the Civil Code (hereinafter: Ptk.); Act I of 2012 on the Labor Code (hereinafter: Mt.) and valid legislation, the applicable regulations of KELER, the Articles of Association of the Company and the provisions of Company Regulations, instructions.

The Board of Directors establishes the OOR. The OOR is reviewed as necessary, but at least with the frequency stated in Point 1.3. to integrate the changes that took place since the last review.

### **1.2 Reason for amendment of the regulation**

Update the changes occurred in the organizational structure of the Company (establishment of an individual Legal area, Compliance, Internal Audit, Sales and Customer Relationships areas) and ensure compliance with the findings made by the Central Bank of Hungary (Magyar Nemzeti Bank) and the Internal Audit.

### **1.3 Revision date**

Every second year, not later than 31 December of every second year.

## **1.4 Scope of the Regulation**

**Material scope:** the entire organization and operation of the Company.

**Personal scope:** all the units and employees of the Company.

## **1.5 References**

### **Related regulatory documents:**

- Articles of Association of the Company
- KELER CCP Regulation 3-04 on Rights of representation and rights to sign on behalf of the Company
- KELER CCP Regulation 3-17 Disaster Recovery Plan
- KELER Group Regulation 6-01 on The creation and amendment of regulatory documents
- KELER Group 6-16 HR Regulation
- KELER Group 6-20 Development Management
- KELER Group 6-55 Compliance Regulation

### **Related legal regulations:**

- Act V of 2013 on the Civil Code (Ptk.)
- Act CXX of 2001 on/ the Capital Market (Tpt.)
- Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (EMIR)
- Commission Delegated Regulation (EU) no 153/2013 of 19 December 2013 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties
- Act I of 2012 on the Labor Code (Mt.)
- Act CXIII of 1993 on Labor Safety

## **1.6 Version control**

Version number of current regulation: 1.6

Version number of previous regulation: 1.5

Effective date of previous regulation: 11 September 2019

## II. Organizational Regulation

### 2.1 General data of the Company

Company name in Hungarian:	KELER KSZF Központi Szerződő Fél Zártkörűen Működő Részvénytársaság
Company short name:	KELER KSZF Zrt.
Company name in English:	KELER CCP Ltd.
Registered office:	Rákóczi út 70-72., Budapest H-1074
Time of establishment:	6 June 2008
	The Company is established for an indefinite term.
	The Company operates pursuant to the valid provisions of the Ptk.
Company register number:	01-10-046985
Supervisory license number:	H-EN-III-43/2014., H-EN-III-294/2017.
Supervisory authorities:	Metropolitan Court of Justice as Court of Registration - oversight
	Magyar Nemzeti Bank - state authority (hereinafter: Supervision)
Company type:	privately held share company
Share capital of the Company:	HUF 2 623 200 000, that is Two billion six hundred and twenty-three million two hundred thousand Hungarian Forints
Bank account number of the Company:	KELER account number: 14400018 - 72420102-00000000
Tax number of the Company:	23183034-2-44
Statistical number of the Company:	23183034-6611-114-01

## **2.2 Activities and organizational structure of the Company**

### **2.2.1. Task and scope of activities of the Company**

**Main activity of the Company:**

6611'08 Management of financial and capital market

6619'08 Other financial ancillary service

### **2.2.2. Organizational structure of the Company**

The Organizational Rules section in Chapter III describes the hierarchical organizational structure of the Company.

## **2.3 Executive bodies of the Company**

The executive bodies pursuant to the Ptk. and the Articles of Association of the Company.

### **2.3.1 The Shareholders' Meeting**

The Shareholders' Meeting is the supreme decision making body of the Company that is made up by the shareholders and operates pursuant to the Articles of Association.

The Shareholders' Meeting has exclusive responsibilities for the following issue:

- decision - unless regulations specify otherwise - on the establishment and the modification of the Articles of Association of the Company,
- decision on the transformation, change of the form of operation of the Company,
- decision on the merger of the Company with other companies, cooperatives or associations, demerger and termination without successor of the Company,
- election, call back of the Chair, members of the Board of Directors, the Supervisory Board and the auditor, determination of their remuneration,
- decision to claim compensation from the shareholders, the executive officers, the Supervisory Board member and the statutory auditor of the Company,
- acceptance of the financial statements in line with the Act on accounting valid from time to time, including the decision on the use of the profit after tax,
- decision - unless regulations specify otherwise - on the payment of dividend advance,
- decision by way of the appropriate amendment of the Articles of Association on rights related to certain share types, share classes and share series and the restriction of share related rights, the transformation of shares into shares in other share types, share classes and share series and related rules and the number, nominal value and value at issuance of the shares in certain share types and share classes,
- decision - unless regulations specify otherwise - on the issuance of convertible bond or bond with subscription right,

- decision - unless regulations specify otherwise - on the decrease or increase of the share capital,
- decision to exclude the exercise of preferential subscription right and authorization to the Board of Directors to restrict or exclude the exercise of preferential subscription right,
- decision on the acquisition of own shares,
- decision on all proposals to the Shareholders' Meeting submitted by the Board of Directors, the Supervisory Board of Directors or by the shareholder(s) in possession of at least five percent of the share capital,
- decision on all issues that are referred to the exclusive authorities of the Shareholders' Meeting,
- decision on the medium and long-term strategy of the Company, on the acceptance of the business strategy, except for partial strategies (in particular IT partial strategy),
- decision on the establishment of business association, on the acquisition of participation in business association, on the sale of participation existing in business association owned by the Company,
- decision to execute loan agreement allowing the taking of loan, external funding,
- decision to grant loan, except for individual loans to employees and treasury operations,
- decision to encumber in any form any assets of the Company, except for treasury operations,
- authorization to conclude agreement with the executive officers of the Company and their close relatives and partners,
- authorization to conclude agreement with the shareholder of the Company, except for cases when the counter value payable for the service under the contract is less than HUF 10 million net per calendar year, or the agreement of cooperation type only concluded with the shareholder where the financial value cannot be determined,
- decision on the implementation of certain elements of the recovery plan of the Company, in particular in case of capital increase in line with the recovery plan, and restructuring, transformation subject to decision by the Shareholders' Meeting in line with the law.

The following topics are dealt with by the annual ordinary Shareholders' Meeting:

- acceptance of the report by the board of Directors on the business activity of the previous year,
- acceptance of the financial statements in line with the Act on accounting, including decision on the use of profit after tax,
- acceptance of the auditor's report on the financial statements in line with the Act on accounting.

The Board of Directors calls the Shareholders' Meeting at least once a year, not later than 15 days before the date scheduled before 30 May by sending invitations to the holders of shares, the members of the Board of Directors, the members of the Supervisory Board, and the auditor of the Company to the Shareholders' Meeting called, including the agenda and the content of the related proposals.



### 2.3.2 The Board of Directors

The Board of Directors is the managing body of the Company; the shareholders' meeting elects and calls back its members. Pursuant to the Articles of Association and the shareholders' meeting resolutions it is in charge of the comprehensive governance of the Company.

One third of the Board of Directors, but at least two members are required to be independent.

The Board of Directors members are elected in line with the following principles:

- each shareholder is entitled to nominate one member, the shareholder with qualified majority is entitled to nominate two members, at least two of the nominees must be independent persons,
- at least two Board of Directors members will be elected from among the independent nominees recommended by the shareholders,
- the Board of Directors member shall be considered independent if he/she and his/her close relative or partner does not have a business or family relationship with the Company or the majority shareholder, its executive bodies and clients, that results in conflict of interest, nor did such relationship exist during the five-year period before the commencement of the Board of Directors membership.

The responsibilities of the Board of Directors are as follows:

- makes proposal on the acceptance of the financial statements of the Company in line with the Act on accounting and on the use of the profit after tax,
- submits statements and financial statements to the Supervisory Board in due time, pursuant to the Act on accounting, consults the Supervisory Board on such accounts and financial statements, submits them to the annual ordinary Shareholders' Meeting and ensures disclosure,
- calls the ordinary Shareholders' Meeting,
- calls the extraordinary shareholders' meeting within eight days of becoming aware of the following reasons if
  - a) the shareholders' equity of the Company decreased to two thirds of the share capital as a result of loss,
  - b) the shareholders' equity of the Company decreased below the minimum amount stated in law,
  - c) the Company is in danger of becoming insolvent or it suspended payments or if its payables exceed assets,
  - d) the number of members of the Supervisory Board decreases to less than 3,
  - e) it is requested by the Supervisory Board, shareholders having at least five percent of votes or by the auditor of the Company
- prepares a report once a year to the Shareholders' Meeting on the management, financial situation and business policy of the Company,
- ensures the business records of the Company are kept in line with applicable regulations,
- makes the necessary disclosures to the Court of Registration, publishes notices in the cases stated in the regulations,
- ensures the share registry of the Company is maintained,
- prepares a quarterly report to the Supervisory Board,

- accepts and modify the regulations of the Company, except for regulations subject to the responsibilities of the Chief Executive Officer,
- establishes and amends the Organizational and Operational Regulation of the Company,
- discusses the findings stated as a result of the audit(s) at the Company by authorities, approves the necessary action plan,
- establishes the result of reviews completed by the Company with respect to persons under the scope of procedures, takes the necessary measures,
- accepts the rules of procedures of the Board of Directors,
- accepts the annual development and investment plan of the Company,
- finalizes the annual business plan,
- creates and approves the remuneration policies,
- ensures that financial stability and other relevant public interests are considered,
- establishes the performance requirement for the executive officers employed by the Company, and the related performance-based wage or other benefits,
- accepts new business line or activity,
- orders external, internal audit at the request of the shareholders,
- makes decision on the method of determination of the collective guarantee fund, on the minimum and maximum amount and percentage of contribution,
- makes decision to terminate the collective guarantee fund,
- elects, calls back the Chief Executive Officer, determines its remuneration,
- makes decision on legal remedy requests received by the Company, related to a decision/decisions made by the operational functioning of the Company or an executive officer and based on the relevant regulations of the Company,
- appoints the Risk Committee,
- establishes the risk tolerance of the Company and approves the risk-taking levels appropriate to its risk-taking capability (risk policy),
- the establishment of clear objectives and strategies for the Company, back testing such objectives and strategies regularly, but at least annually, and submitting these to the Shareholders' Meeting,
- the effective monitoring of senior management,
- the establishment and oversight of the risk management function,
- in case of emergency, makes reasonable efforts to consult the Risk Committee on the developments impacting the risk management of the Company and the measures to mitigate the risks,
- approves the appointment of the Chief Compliance Officer,
- the oversight of the compliance function and internal control function, and ensuring that these control functions are independent and the required resources of these functions are available,
- accepts the work plan of Compliance and makes decisions concerning its proposals requiring the decision of the Board of Directors,
- discusses the annual and regular reports of the Compliance function,
- the oversight of outsourcing agreements,
- approves the agreement concluded with the shareholder of the Company if the counter value payable for the service under the contract is less than HUF 10 million net per calendar year, or the agreement of cooperation type only concluded with the shareholder where the financial value cannot be determined,

- creates the security policy,
- approves the liquidity plan,
- approves the investment policy,
- reviews and approves the recovery plan,
- the oversight of compliance with all provisions of Regulation (EU) No. 152/2013, Regulation (EU) 153/2013., EMIR, Implementing Regulation (EU) No 1248/2012 and all other regulatory and supervisory requirements,
- ensures accountability to the shareholders or owners and employees, clearing members and their customers and other relevant stakeholders,
- decision making on all issues that do not fall under the exclusive competence of the Shareholders' Meeting or the Supervisory Board (taking into account the decision making competence determined in this OOR),
- creates of the risk management framework and supervises its application,
- creates the mechanism of disclosure and related to the comments of participants regarding the risk management of the central counterparty,
- ensures efficient cooperation with the management of the central counterparty,
- reviews the policies and procedures of the central counterparty at least annually,
- establishes the framework of a regular and strict due diligence in accordance with the legal and regulatory requirements applicable to the central counterparty,
- makes recommendation to the Shareholders' Meeting on the person of the auditor subject to agreement by the Board of Directors and the Supervisory Board.

In general, the Board of Directors is in charge of the operative tasks related to the recovery of the operation of the Company and makes necessary decisions, except for decisions subject to the exclusive authority of the Shareholders' Meeting, i.e. in a recovery situation it acts as operative managing body (recovery function).

### **2.3.3 The Supervisory Board**

The Supervisory Board supervises the management of the Company.

Responsibilities especially are as follows:

- supervision all material business policy reports, the financial statements in line with the Act on accounting, the proposal on the use of profit after tax prior to the annual ordinary Shareholders' Meeting and reports to the Shareholders' Meeting on the result of this supervision,
- calls the Shareholders' Meeting without delay - stating also the proposed agenda - if related to the operation of the Company it learns of measures violating the law, the Articles of Association, the resolutions of the Shareholders' Meeting or of activity, failures or misuse interfering with the interests of the Company or the shareholders,
- ensures that the Company has a comprehensive control mechanism suitable for efficient operation,
- checks the annual and interim financial reports of the Company,

- assists the Board of Directors in checking the financial reporting system, selecting the statutory auditor and in cooperating with the statutory auditor, with particular regard to Article 16 of Regulation 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC,
- monitors the statutory audit of annual and consolidated annual financials based on legal requirements, taking into account findings and conclusions made in the quality assurance procedure performed by the authority completing the statutory audit public supervisory tasks in line with Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Audit Activity and the Public Supervision of Auditing (hereinafter Kkt.),
- reviews and monitors the independence of the statutory auditor or auditor company licensed in line with regulations, with particular regard to compliance with the provisions of Article 5 of Regulation 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC,
- monitors the efficiency of the internal audit, risk management systems of the Company, and the process of financial reporting, makes recommendations if necessary,
- leads the internal audit organization, within this framework
  1. accepts the annual audit plan of Internal Audit, and ensures the performance evaluation of the area in accordance with the current remuneration policy,
  2. discusses at least semi-annually the reports made by Internal Audit and checks that the necessary measures are implemented,
  3. if needed invites external expert to facilitate the work of Internal Audit,
  4. makes proposal to change the headcount of Internal Audit,
  5. discusses and accepts the annual audit report of Internal Audit.
- finalizes the recommendations and proposals based on the findings of reviews completed by Internal Audit,
- approves decisions on the establishment and termination of employment of the head and employees of Internal Audit, and on the determination of their remuneration,
- reviews for information the annual work plan, the regular information material and the annual reviews of Compliance prepared for the Board of Directors,
- approves the termination of employment of the Chief Compliance Officer,
- calls the extraordinary Shareholders' Meeting of the Company if the number of Board of Directors members is less than 3,
- provides prior opinion during the determination of performance requirements and related performance-based wage or other remuneration of executive officers employed by the Company,
- performs the tasks of the Audit Committee pursuant to Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014, as well as all the tasks conferred to it by legislation.

The Supervisory Board can request information on the affairs of the Company from the executive officers, managers and employees of the Company. The information is to be sent in writing, addressed to the chair of the Supervisory Board, within thirty days.

### **2.3.4 The Independent Auditor**

The auditor is independent of the Company, not having direct or indirect financial, business, employment or other relationship with the Company.

The mandate of the independent auditor is for a period from three years to maximum five years, until the date of the ordinary Shareholders' Meeting closing the fifth business year, but not later than 31 May.

The valid provisions of the Ptk. and the Act on accounting govern the tasks and responsibilities of the independent auditor.

### **2.3.5 Person in executive positions**

Pursuant to Section 5 (1) 134 of the Tpt. persons in executive positions are:

- the Board of Directors members of the Company,
- the Supervisory Board members of the Company.

## **2.4 The operational managing bodies and committees of the Company**

### **2.4.1 Management**

Management is the operational consulting body of the Company. Management is led by the Chief Executive Officer (CEO). Management members include the CEO, the Chief Operations Officer (COO) and the Chief Risk Officer (CRO).

Further invitee to Management meetings may be any person involved in terms of relevant expertise in the topics discussed by the Management. Further invitees are invited based on the CEO's decision.

The responsibilities of Management are as follows: making recommendations on the activity and operational functioning of the Company, expressing an opinion on the recommendations submitted; expressing an opinion on proposals of the Board of Directors and internal regulations, discussing the business activity, the major events concerning the operational functioning and the general organizational and strategic issues of the Company.

The CEO determines the rules of procedure of the Management.

### **2.4.2 The Risk Committee**

The Risk Committee has at least five, but not more than seven members. Risk Committee members are the clearing members, the independent Board of Directors members and the representatives of the clients of the Company. None of the groups of representatives can have majority in the Risk Committee.

The Risk Committee elects its chairperson from among its members but the chairperson of the Board of Directors of the Company cannot act simultaneously as the chairperson of the Risk Committee and the chairperson is appointed from among the independent Board of Directors members.

The Board of Directors elects the Risk Committee for a period of three years.

The Risk Committee establishes and accepts its own rules of procedure.

Tasks and responsibilities of the Risk Committee are as follows:

- advises the Board of Directors on any event that may impact the risk management of the Company in order to ensure the continuous, smooth and secure operation of the Company with particular regard to the considerable change of the following:
  - regulations requiring approval by the Risk Committee,
  - the risk model,
  - the default procedures,
  - the criteria related to the acceptance of clearing members,
  - clearing of new asset categories,
  - outsourcing any risk management responsibility.
- advises on the framework used to identify extreme but plausible market conditions,
- provides opinion on the liquidity plan of the liquidity risk management framework,
- provides opinion on the testing of the framework related to the methodology on collaterals, default funds and other financial resources and on the policies on testing the framework related to the calculation of liquid financial resources,
- provides opinion on the valuation models,
- provides opinion on the collateral model,
- provides opinion on the results of stress tests and reverse stress tests,
- provides an opinion in writing on risk management related materials, with special regard to any amendment to the General Business Rules regarding risk management, and other regulations requiring risk management, including the regulation on the management of extraordinary situations,
- approves in advance the amendments of the Organizational and Operational Regulation related to the management order of risk management.

### **2.4.3 The Remuneration Committee**

The Board of Directors elects the members of the Remuneration Committee. The Remuneration Committee is a consulting body involved in the creation of the Remuneration Policy of the Company; it establishes and finalizes this policy. The Remuneration Policy of the Company requires, and, based thereon, the remuneration system of the Company ensures that the remuneration of the Company's employees participating in the risk management, compliance and internal audit functions is independent from the business performance of KELER CCP. The level of remuneration is to be proportionate to the responsibilities, and comparable with the remuneration level of business. The Board of Directors approves the Remuneration Policy.

The members of the Remuneration Committee are the persons stated in the Remuneration Policy.

The tasks and responsibilities of the Remuneration Committee are as follows:

- determines annually the remuneration of the Chief Executive Officer of the Company,
- in relation thereto, it determines the performance remuneration conditions of the Chief Executive Officer of the Company in accordance with the current Remuneration Policy, establishes, finalizes and reviews annually the Remuneration Policy of the Company.

## **2.5 System of defence lines of the Company**

Responsible governance, the internal control mechanisms of business units, the risk management function, the operational risk management implemented as an outsourced activity, the compliance function and the internal audit represent the defence lines of the Company.

The defence lines of the Company are partly the specific parts of internal defence lines, and partly independent audits. In the case of the Company, these are as follows:

- The compliance function submits a report to the Board of Directors annually to cover risk of non-compliance and the measures required to manage such risks, and reports to the Board of Directors whether the Company and its employees comply with the requirements of EMIR and its implementing regulations, and other applicable regulations.
- Internal Audit reviews risk management and clearing activities, and internal control mechanisms annually, and submits a review report to the Supervisory Board.
- Risk Management performs the risk management tasks under EMIR via the Risk Management Department.
- The independent auditor audits the report in line with the Act on Accounting of the Board of Directors to the Shareholder' Meeting.
- Internal Audit assesses the compliance function based on its own methodology, and reports on the assessment to the Supervisory Board.
- The Supervisory Board assesses annually the annual report of Internal Audit.
- The efficient operation of Internal Audit and Compliance functions is reviewed annually by external, independent audit also.

In addition to the above, the Company is subject to regular supervisory control.

## **2.6 General provisions on managers**

### **2.6.1 Hierarchy of managers**

For the purpose of this section manager is the employee in executive positions (pursuant to Section 208 of the Mt.) and the heads of organizational units under the direct authority of the Chief Executive Officer, that are not in the category of employees in executive positions: the Chief Operations Officer (COO), the Chief Risk Officer (CRO) and the heads of the Sales and Customer Relationships areas.

## **2.6.2 Obligations and rights of the manager**

1. perform fully the tasks of the professional area it leads,
2. implement the internal and external regulations, Chief Executive Officer orders and meet related reporting obligations,
3. coordinate professional tasks,
4. ensure the human resources required in the project plan of projects are available, provide professional support,
5. comply with and ensure the confidentiality requirements are complied with, in case of violation of bank, securities and business secrets take the necessary measures,
6. ensure that the reporting obligations or related internal information provision requirements are met by the applicable deadline and with excellent professional content,
7. explore the suitability and professional progress opportunities of the employees in the professional field managed, prepare professional trainings focusing on the areas concerned; implement the human resources policy objectives in the area led,
8. communicate to the employees legislation, internal instructions and requirements precisely and in a manner to avoid misunderstandings, comply with them and ensure they are complied with,
9. each manager is obliged to inform employees on decisions that relate to them directly (and has labor law and civil law liability for damage arising from failure to inform or delay in informing),
10. provide work continuously for employees and the conditions for performing their tasks,
11. organize the work of its own unit in line with the general requirements, determine the method of working, act as operative leader, evaluate work regularly and arrange for the related reporting, inform the supervising manager on findings, experience, any discrepancies, errors,
12. comply with and ensure that discipline at work is complied with,
13. check the work of employees,
14. take measures to eliminate the discrepancies related to its unit detected in external and internal audits,
15. make sure that records are correct: require that all documents and records in the unit it leads are correct in terms of form, content and numerical data,
16. ensure and check that strictly numbered documents are retained, managed orderly,
17. arrange for the careful management of documents, archiving and destruction in line with internal requirements,
18. comply with and ensure the instructions on the prevention of accidents and work safety are complied with, check compliance and urge that conditions in line with requirements are created,
19. exercise the right of representation, signature and expense approval subject to authorization, check and sign or sign off reporting, letters and other documents prepared by the unit it leads,
20. keep the company stamp taken over for use and make sure it is used only legally,
21. facilitate smooth cooperation among the units it leads and other organizational units,
22. take part and express its opinion at meetings covering the issues that fall within its authorities,
23. give preliminary opinion on the company regulations, instruction, rules of procedure, orders related to the units it leads or ensure such opinion is prepared,
24. make and support recommendations to improve work, to increase efficiency.

The tasks of managers not listed above arise from the responsibilities described under the professional area they lead and from their individual job descriptions.



### **2.6.3 The responsibility of the manager**

Within the term of limitation, the managers of the units of the Company are responsible pursuant to the provisions of the Mt. and the Civil Code and other legislation to perform the tasks allocated to them and take measures, give orders pursuant to their employment contracts, job descriptions and internal regulations, for the correctness of records, reporting, for the behaviour, acts that they are required to or should demonstrate and take in line with their legal status, authorities, positions or failed to demonstrate or take.

The executive employee is liable for damage caused in the framework of his/her management activities pursuant to the general rules of the Civil Code.

In other cases of damage caused the manager is liable for damage in line with the general rules of the Labor Code, however, in the case of negligent tort and illegal termination of employment the manager can be held for damages in the amount of twelve months' absentee fee at most.

The liability of the manager does not decrease the personal liability of employees defined in job descriptions.

### **2.6.4 The order of substitution**

The Chief Executive Officer is substituted by the Chief Operations Officer (COO).

If the Chief Executive Officer and the Chief Operations Officer are absent simultaneously for more than one day, the Chief Risk Officer acts as substitute.

If all members of the management are absent, substitution is performed by the person designated by the Chief Executive Officer, with the responsibilities defined by the Chief Executive Officer.

The mandate of the substitute designated by the Chief Executive Officer does not include the right of exercising qualified employer rights.

The authorized substitute substitutes for the manager in the period of absence, the substitute performs its tasks and exercises authorities, except for the cases that are referred to another substitute. The manager is responsible to hand over to the substitute the tasks in progress in the period of absence, to define the tasks to be performed and to call the substitute to account.

## **2.7 The leaders of the Company and its organizational units**

### **2.7.1 Chief Executive Officer**

The Chief Executive Officer leads the organization, the daily work of the Company in line with the Articles of Association of the Company, the resolutions of the Shareholders' Meeting and the Board of Directors.

In line with the provisions of this regulation the Chief Executive Officer has personal liability for the management and control of the operation of the Company. The Chief Executive Officer is responsible to ensure that the Company operates in line with the provisions of legislation, the Articles of Association, its regulations and orders.

Related to the performance of responsibilities, the Chief Executive Officer has the following rights/obligations primarily:

- personal liability for the operation of the Company,
- if violation of legislation, irregularities, discrepancies are noticed, responsibility to take the actions necessary to terminate them,
- responsibility for the implementation of the resolutions of the Shareholders' Meeting and the Board of Directors, as part of which
  - it ensures that the activities of the Company are in line with the goals and strategy determined by the Board of Directors,
  - it creates the compliance and internal audit procedures that ensure the goals of the Company are met and gets such procedures enter into force,
  - it ensures that the internal audit processes are subject to regular review and testing,
  - it ensures that sufficient and independent resources are allocated for risk management and compliance,
  - it plays an active role in the risk control process,
  - it ensures that the risks arising with respect to the Company related to clearing and clearing-related activities are managed properly,
- responsibility for the business activity of the Company,
- responsibility to prepare the shareholders' meeting and Board of Directors documents by the applicable deadline, to retain them and to ensure they are disclosed as necessary,
- entitled to give orders related to the operation of the Company,
- it can take decisions in the cases that fall under the competence of units. The Chief Executive Officer leads the regulatory activity within the Company.
- it can request to call the Board of Directors and ensures the meeting is appropriately arranged,
- it represents the Company towards third parties, courts, other authorities related to issues that fall under the competence of the Company and in other cases pursuant to the authorization granted by the Shareholders' Meeting and the Board of Directors,
- it gives information to the media related to issues effecting the operation of the Company and can authorize other employees of the Company to give such information,
- it exercises the right of employer over the employees of the Company as the manager of the organization of the Company,
- it is entitled to decentralize authorities, responsibilities and decision making rights within the organization, including the financial decisions related to the figures stated in the business plan and financial commitments,
- it is entitled to make reallocations up to 10% among the figures of the annual business plan and to exceed certain expense limits if profits reach or exceed the planned level with the reallocations made,
- it is entitled to modify form contracts,

- responsibility and right to take measures related to the sanctions and compulsory provisions applicable to default stated in the General Business Rules of the Company and to implement them,
- responsibility for the management of crisis situations related to the clearing activity,
- it is entitled to determine the fee of newly introduced services pursuant to the provisions of the Fee Schedule of the Company,
- it makes decision on all issues that pursuant to the provisions of this OOR are not the responsibilities of the Shareholders' Meeting and the Board of Directors,
- it is entitled to request authorization by the Board of Directors of the Company of deviation from the operating rules of the clearing membership system, but only if it is to safeguard the stability of the system,
- it is required to keep contact and co-operate with the parent company of the Company,
- in order to ensure the effectiveness of the required control functions, it sends to the Supervisory Board and Magyar Nemzeti Bank, as competent authority, the results of independent audits performed in all areas of the Company,
- it is responsible for the preparation of the recovery plan, for the execution of relevant monitoring and reporting tasks, the implementation of decisions by the Shareholders' Meeting / the Board of Directors / the Supervision made during the recovery situation,
- it is responsible for preparing and reviewing regularly the regulations referred to its scope of authority and the preparation of related proposals.
- In addition to the above, the CEO shall ensure that all important information concerning the strategy and business policy of the Company are made available to the Board of Directors regularly, and that the proposals requiring the decision of the Board of Directors are prepared in adequate quality and implemented in accordance with the decision of the Board of Directors. Within the framework of this responsibility, his/her duties include the following:
  - implementation of the changes, measures necessary due to the changing market needs and for business development and in accordance with the accepted strategic directions and resolutions of the Board of Directors,
  - definition of international recommendations concerning central counterparties as well as professional tasks arising from draft legislation,
  - development of negotiations and a cooperation framework with domestic and international partners, deriving from the strategic directions and aims, as well as pursuing joint action plans,
  - realization of other business development projects of the Company,
  - participation in the work of international professional organizations, representing the interests of the Company in the course of the work of the organization,
  - fulfilment of all risks and business process development tasks proposed or identified by all overseer, supervisory and internal defence lines.

The Chief Executive Officer is entitled to delegate within the organization the tasks that fall under the competence of the Chief Executive Officer.

## **2.7.2 Managers leading the operational and professional areas of the Company**

Employees leading the individual organizational units and key professional areas of the Company as well as those performing their substitution during the period of substitution are considered managers.

The notion of employee in managerial position is not equivalent with the notion of employee in executive position according to the Labor Code. Only the CEO of the Company shall be an employee in executive position under Section 208(1) of the Labor Code.

The manager has the following rights and obligations:

- it leads the operational and/or professional area designated, organizes work and is responsible for operation in line with rules, it leads the daily operative work of the unit led,
- if his/her own area is concerned, it arranges for cooperation and ensures flow of information within his/her own area, as well as between the Company's different professional areas concerned,
- it ensures that personal and material conditions of work required for the operation of the unit led are available, work is disciplined and of quality, the rules are complied with,
- it is responsible for performing fully and in line with the applicable rules the tasks that are assigned to it,
- it takes part in the discussion of issues related to its field or project, in the finalization of new company schemes to be created,
- responsibility for supporting the direct superior at work,
- responsibility for meeting all reporting obligations by the applicable deadline that he/she is responsible for.

## **2.7.3 Non-manager employees**

Their tasks are stated in individual job descriptions and the Labor Regulation of the KELER Group.

## **2.8 The rights and obligations of the employees of the Company**

### **2.8.1 The rights of the employees of the Company**

The inalienable right of the employees of the Company is to

- exercise the rights stated in the Constitution of Hungary,
- gain knowledge on the plans of the Company that are not business secret, participate in the processes related to the finalization of such plans and make recommendation related to its job,
- express opinion freely at the meetings at work,
- receive the salary, wage, bonus, benefits, preferences that are due pursuant to the Labor Code, the employment contract and the internal regulations of the Company,
- have the necessary conditions and equipment for work.

## **2.8.2 The obligations of the employees of the Company at their units**

- facilitate that the objectives of the Company are fully and successfully met,
- fully perform the tasks stated in legislation, internal regulations, job description and internal orders in line with the applicable requirements, facilitate and control such performance,
- implement the resolutions of the Shareholders' Meeting, the Board of Directors without delay even if no separate execution order is issued related to them,
- comply with law at their units,
- perform continuously and consistently the control tasks (functional) related to the position,
- protect the assets and the equipment of the Company,
- take measures or call the attention of the competent persons to prevent (terminate) accident or material damage,
- show up at work at the time required in a condition that is fit for work,
- work efficiently in the working hours and complete work that is corresponding to the position,
- start the work assigned to them by supervisors without delay, complete it in line with the applicable legislation and orders, by the applicable deadline, report on activities to the supervisor.

Their tasks are stated in individual job descriptions and the Labor Regulation of the KELER Group.

## **2.9 Exercising the right of employer**

Exercising the right of employer means the right to make decisions related to all issues concerning the employment of the employees, including the establishment, modification and termination of employment, determination of wage and other financial incentives, assessment of the quality of work, calling to account and the financial liability.

The Board of Directors exercises the right of employer with respect to the Chief Executive Officer through the Chairman.

The Chief Executive Officer exercises the qualified rights of employer (establishment, termination of employment) with respect to the employees of the Company.

## **2.10 The general rules of representation of the Company**

The contents and rules of exercising the power of representation, signature and expense approval are specified in the Ptk, the Articles of Association and the current "Rights of representation and rights to sign on behalf of the Company" regulation of the Company.

## **2.11 Information system, transfer of position**

### **2.11.1 Information system**

The information and reporting system, the rules of keeping contact among the organizational units of the Company and the special tasks related to internal and external reporting obligations are

detailed in Chief Executive Officer orders and the administrative regulation of the units. The head of the unit concerned ensures these rules are implemented.

Information means any order, instruction, data and background information related to work, the primary forum of their exchange is the meeting.

Managers are responsible to ensure continuous flow of information, employees are responsible to receive information and forward information obtained in their area of work to the competent persons.

### **2.11.2 Transfer of cases and work position**

In the case of personal change in management, the earlier manager transfers to the new managers the cases. Exception: if due to prevention for any reason the substitute or the person temporarily designated by the supervising manager is the transferee.

If the position of an employee needs to be transferred, the employee is obliged to transfer the position, related documents and records to the designated employee in the presence of the manager of the unit (designated substitute) or agent.

The transfer of cases related to manager positions will be recorded in minutes in all cases, the transfer of cases by a subordinate will be recorded in minutes based on the decision of the responsible manager.

The minutes will include the description of the position transferred and the list of cases pending or in progress, the status of the cases, including their main attributes.

The minutes on the transfer, signed by the parties involved, are signed by the supervising manager by way of acknowledgment.

## **2.12 The Company's representatives of work safety**

To represent their rights and interests related to safe work without health hazard the employees of the Company are entitled to elect representatives of work safety from among themselves.

The rights and obligation of the representatives of work safety are specified in Act XCIII of 1993 on Industrial Safety and in the Work Safety Regulation of KELER.

## **2.13 The order of regulation**

### **2.13.1 External regulation**

Provisions by third parties that determine, influence the operation of the Company, such as legal regulations, other legal instruments of state governance, resolutions and regulatory tools of supervisory bodies, other external requirements (e.g. standard).

### **2.13.2 Internal regulation**

Provisions on internal regulation are contained in the “KELER Group Regulation on the creation and amendment of regulatory documents”.

### **2.14 Activities outsourced by the Company**

In line with the outsourcing agreement concluded by KELER and the Company, KELER undertakes the following activities:

- planning activities,
- controlling activities,
- specific legal activities, process management, development of operation, IT development coordination,
- reporting, keeping contact (for third parties),
- collateral management,
- Treasury activity,
- client service activity,
- PR & marketing activities,
- finance and accounting activities,
- human resources management,
- facility, office management, procurement, document management,
- IT activities,
- operation and maintenance of the security system,
- IT internal audit activities,
- reporting.

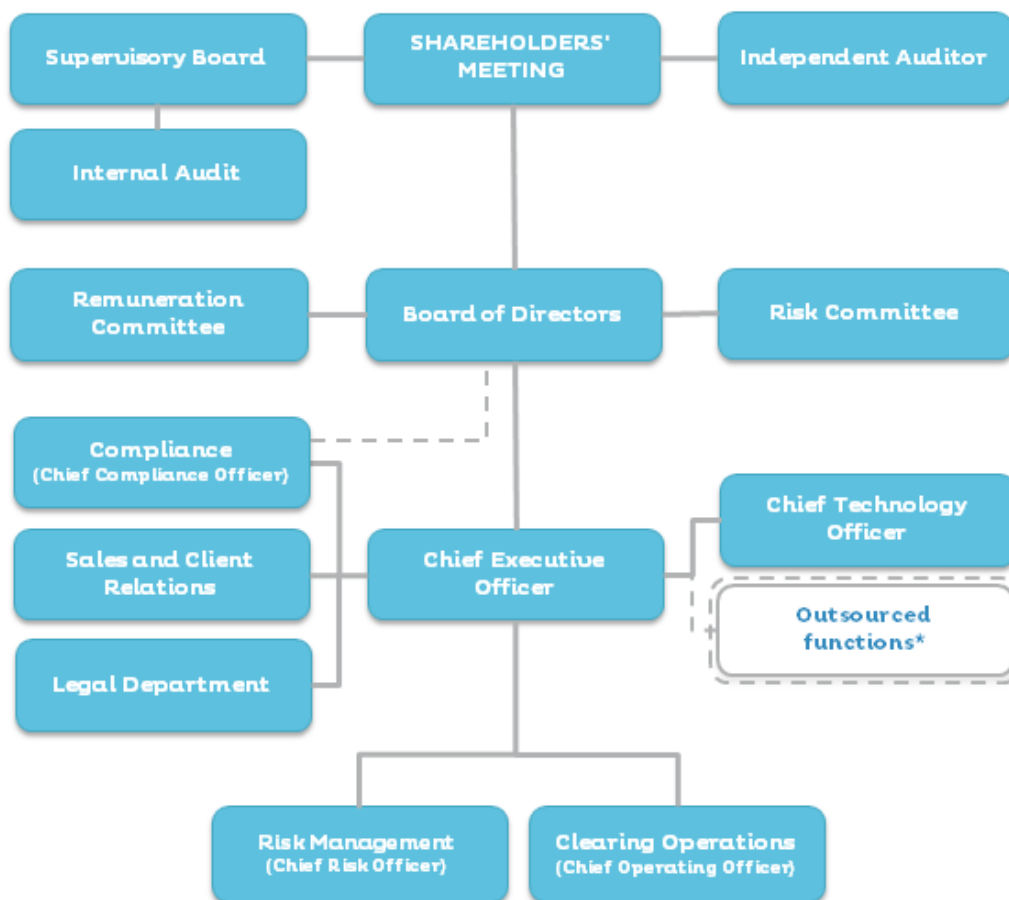
### **2.15 Confidentiality, publicity**

Pursuant to the Ptk. and the Tpt. employees of the Company are required to manage and retain in line with the requirements of applicable legislation business, securities and bank secrets related to the Company or its clients and related information and personal data that the employees become aware of in the course of work or otherwise.

### **2.16 Termination of the Company**

The Company is terminated if it decides to be terminated without legal successor, decides on termination with legal successor (transformation) by way of merger, fusion with another company, separation (demerger, separation) or transforms to another company form, the Court of Registration declares it is terminated or orders the Company to be deleted from the records, additionally, if the court terminates it in the course of winding-up.

### III. Operational Regulation



**\*Outsourced functions:**

- planning activities,
- controlling activities,
- specific legal activities,
- process management, development of operation, IT development coordination,
- reporting, keeping contact (for third parties),
- collateral management,
- treasury activity,
- client service activities,
- PR & marketing activities,
- financial and accounting activities,
- human resources management,
- facility, office management, procurement, document management,
- IT activities,
- operation and maintenance of the security system,
- IT internal audit activities,
- reporting



### **3.1 Risk Management**

#### **Tasks and responsibilities**

Assessment and analysis of business risk elements related to the services of the Company, finalization of methods to restrict them and establishment and operation of the organization and system required to manage risks.

Finalize, regularly review and make presentations related to the regulations that the Risk Management Department is responsible for pursuant to legislation and assigned to the Risk Management Department.

Finalize, update customer rating, finalize, operate and monitor related risk management

Maintain the conditions required for the establishment and maintenance of clearing membership / non-clearing membership relation.

Analyze the risks arising from the clearing of transactions guaranteed by the Company.

Monitor prices and positions in the markets guaranteed by the Company, create, check, regularly analyze the margin and guarantee systems operating in the markets.

Analyze in terms of risk the various financial instruments accepted as collateral by the Company

Determine the bank guarantees acceptable to the Company in line with the bank rating of KELER.

Analyze, monitor and finalize the rating of the risk of physical settlement in the derivative market. Rating warehouses in the case of settlement by warehouse warrants.

Manage defaults in the markets in cooperation with other units.

Defining and managing new business needs in the competence of Risk Management, resulting from business risk or legal requirements related to the services of the Company, as follows:

- Defining the business need and putting it into writing. The business need is to be defined as comprehensively as possible.
- The Chief Executive Officer is to be informed and its approval is to be obtained before the need is included in the portfolio.
- Finalizing and submitting the project request form (PT1). The project request form triggering IT development can be submitted if approved by the Chief Technology Officer who checks that the form is in line with the requirements of KELER Group 6-20 Development Management Regulation.
- Ensuring resources necessary for analysis and design phases related to the business need.
- Creating the business test minutes based on which Risk Management can check if the solution delivered is in line with the requirements.
- Ensuring resources for business and user acceptance test execution.

The Risk Management Department is managed by the Chief Risk Officer (CRO).

## 3.2 Clearing Operations

### Tasks and responsibilities

Preparation, regular review of the regulations referred to its scope of authority and the preparation of related proposals.

Check the conditions required to maintain the clearing member relationship.

Calculate, manage, and collect individual and collective guarantees to ensure the secure settlement of guaranteed transactions.

Verification of cover, in case of insufficient cover communication with the clearing member, the Budapest Stock Exchange (BSE), MTS S.p.A., Magyar Nemzeti Bank, KELER, FGSZ, FGSZ TP, CEEGEX, HUDEX, and ECC.

Monitor the expiry of bank guarantees and securities, upon expiry take the necessary measures.

Maintenance of master data (product, clearing member, etc.) and maintenance of records.

Request accrued interest information from the issuer for securities settlement.

Confirmation of standardized derivative, multinet and gas market transactions.

Forward reports provided by ECC to energy market non-clearing members.

Clearing activity, segregated position management related to standardized derivative and multinet transactions concluded at the BSE, the BÉTa, MTS Hungary.

Clearing activity related to gas market transactions made at the Balancing Platform and Trading Platform of FGSZ.

Clearing activity related to spot transactions made at the CEEGEX regulated gas market and transactions made on the HUDEX futures gas market.

Settlement of payment obligations in the framework of clearing services on both the cash and the securities side, full scale clearing for each trading day.

Execute option exercise and allocation in the case of standardized option positions.

In case of default:

- execute compulsory provisions pursuant to the General Business Rules,
- use individual and collective guarantee elements,
- impose and collect late fee, default basic fee and default surcharge.

Full scale financial records, clearing related to spot commodities and derivative delivery and physical commodities section trades.

In case of fulfilment with warehouse warrant undertake all related clearing tasks and keep all related records.

Upon expiry/exercise of derivatives on securities with physical fulfilment undertake tasks related to physical fulfilment.

Maintain BCP/DRP related to the services of the department.

Defining and managing new business needs in the competence of Clearing Operations, resulting from business clearing or legal requirements related to the services of the Company, as follows:

- Defining the business need and putting it into writing. The business need is to be defined as comprehensively as possible.
- The Chief Executive Officer is to be informed and its approval is to be obtained before the need is included in the portfolio.
- Finalizing and submitting the project request form (PT1). The project request form triggering IT development can be submitted if approved by the Chief Technology Officer who checks that the form is in line with the requirements of KELER Group 6-20 Development Management Regulation.
- Ensuring resources necessary for analysis and design phases related to the business need.
- Creating the business test minutes based on which Clearing Operations can check if the solution delivered is in line with the requirements.
- Ensuring resources for business and user acceptance test execution.

Clearing Operations is managed by the Chief Operations Officer.

### **3.3 Sales and Client Relations**

#### **Tasks and responsibilities**

The task of the Sales and Customer Relationships area is performing the client management function concerning the clients of the Company: implementation of sales targets other defined planned numbers and indicators in relation to the clients, achieving strategic aims, improving the quality of customer service, operating and developing partnerships, sales activity, providing support for the internal regulations and the KYC / compliance and EMIR-based risk assessment and monitoring, arising from the regulatory requirements, providing the contractual framework, providing support in the acquirement and update of the related documentation, management of client conditions, assessment of client profitability.

Establishing and continuous management of long-term client, partner, and market relationships to achieve continuous business development and improve effectiveness.

Compiling the marketing plans for the given period and developing the related action plans in accordance with the current strategy.

To acquaint existing and potential clients, partners with the Company's products and services in appropriate detail and form and to sell these to them, making proposals concerning product

development and realizing these to facilitate a more comprehensive service to the clients as well as new acquisitions.

Managing visits to clients, performing the related preparatory work (negotiation preparations), determining, monitoring, and implementing actions.

Performing the preparation and coordination works related to the comprehensive sales, professional and information materials compiled for the Company's clients and partners.

Maximizing the revenues achieved due to the clients, continuous monitoring of customer profitability and proposing actions for its improvement, performing price negotiations.

Identifying the clients' needs and initiating business development and sales processes based on the strategy, assessing the operation, business opportunities and risks of new markets; assessing, documenting and evaluating the given infrastructures and products and services of market players.

Representing the Company at relevant professional fora and conferences.

Managing the domestic and international relationships of the Company, initiating the establishment of new relationships, acquisitions.

Participation in the achievement of aims formulated in the Company's strategy as well as in the related projects and tasks.

Negotiating with strategic partners, trading venues and other areas affecting the quality of products and services, making contracts, "Service Level Agreements" in cooperation with the relevant partner departments.

Proposing and launching developments improving customer satisfaction and supporting sales, providing assistance during testing and implementation in line with the possibilities of the given market and partner.

Providing information concerning partners: Preparing client information materials based on the information sent by the partners (e.g. if the services and fees change), the coordination thereof, e.g. Market Watch, Market Profile, notifying the concerned partner departments of any possible changes.

Other: making surveys concerning customer profitability, assessing customer satisfaction, service quality and related costs; proactive monitoring in relation to customer-related risks, evaluation, preparation of decisions, finding a solution to the problems and client complaints that may arise, controlling the paid fees, maintaining the contracts.

Exchanging information continuously with the partner departments to ensure that the services of the Company are designed to support client needs.

The Sales and Customer Relationships Department is led by the Head of Department of Sales and Customer Relationships.

### **3.4 Legal Department**

The Company establishes and maintains a permanent and efficient Legal area (hereinafter: Legal) that operates independently from other functions of the Company, under the CEO.

The legal support to the Company's activities is provided independently and partly within the framework of outsourcing (in particular: legal representation during court of registration judgements, management of loans to employees and internal credit, and legal revision of IT contracts), as well as with the involvement of law firms commissioned with legal support.

#### **Tasks and responsibilities**

- gives opinion on, countersigns the draft agreements of the Company,
- gives legal advice to the Company,
- provides legal support during debt collection,
- arranges for the shareholders' meetings of the Company,
- takes part in the preparation of the regulations, internal orders of the Company, at request in the preparation of the administrative regulations of the Company,
- performs controls and gives legal opinion related to compliance when the regulations and the operation of the Company are determined or modified,
- submits the regulations requiring supervisory approval to the Supervision, based on information from the subject matter expert unit, with administrative help by the Company,
- represents the Company towards the Supervision and other authorities,
- represents the Company in litigations and non-litigious proceedings,
- records the minutes and finalizes the minutes and resolutions at the shareholders' meetings, Board of Directors meetings of the Company,
- certifies shareholders' meeting, Board of Directors meeting minutes and resolutions and sends them to the Board of Directors members and the representative of the Supervision,
- updates the minutes on shareholders' meeting, Board of Directors meetings and resolutions in the folders used to store internal documents, completes forms, updates summary lists,
- complies with the internal order on the management of information considered bank secret and securities secret pursuant to the Tpt., gives preliminary opinion on the transfer of such information, records such transfer,
- in the case of participation in the creation or modification of legislation, coordinates the process of reviewing at the Company.
- Legal may recommend the CEO to involve external legal competence. If the need for external legal support arises on the part of any professional area, Legal must be consulted.

### **3.5 Compliance**

The Company establishes and maintains a permanent and efficient compliance function that operates independently from other functions of the Company, according to the work plan directly approved by the Board of Directors, as well as subject to a reporting obligation and possibility towards the Board of Directors. The Company ensures that the compliance function has the necessary authority, resources and expertise, and access to all relevant information.

The purpose of the compliance function of the Company is to promote compliance by the Company with prevailing regulations and other requirements that are not considered regulations. The tasks of the compliance function of the Company to promote and ensure compliance are performed by Compliance. Clearing activity, risk management of the Company and outsourced activities closely related to these areas, and supervising regulatory compliance by the internal mechanisms related to the former fields, and any possible cases of non-compliance are the primary focus of the activity performed by Compliance.

### **Tasks and responsibilities**

Accordingly, the tasks of Compliance at the Company are as follows: calling the attention to regulatory changes, giving advice/opinion necessary for compliance, and the identification and management of compliance risks. In this framework, Compliance:

- identifies, manages and monitors non-compliance risks by the Company,
- in order to mitigate non-compliance risks, it creates internal procedures and regulatory documents, and makes proposal to finalize such documents,
- in order to remedy efficiently any cases of non-compliance it creates internal procedures,
- it monitors and assesses continuously that the measures introduced based on the above are sufficient and efficient, and the measures that are designed to manage deficiencies of compliance by the Company related to its own obligations,
- performs activities to give opinion, give advice, control and report, within which framework it provides advice and assistance to meet the obligations of the Company based on regulatory requirements,
- monitors and interprets Hungarian and EU legislation, other standards and recommendations effecting the Company, compares them to the internal regulations and practice of the Company, in cooperation with KELER Ltd.'s Legal and Compliance areas, and makes recommendation on the necessary level of compliance and the measures required to achieve it,
- ensures the consistency of the valid internal regulatory documents of the Company, performs compliance reviews of Company regulatory documents before issuing, in this framework it ensures that the regulatory documents include clear references to the regulation that the Company intends to apply to all the aspects of its activities and operations, in cooperation with KELER Ltd.'s Legal and Compliance areas,
- informs in writing the head of the unit concerned upon becoming aware of the violation of the requirements stated in the valid internal regulatory documents of the Company or informs the CEO, Board of Directors of the Company if a serious issue is detected,
- manages the compliance policies and procedures created by the Chief Executive Officer and the Board of Directors,
- finalizes and monitors compliance with and checks the annual compliance action plans of the Company,
- prepares the regular and annual summary compliance reports of the Company for the Board of Directors, in which it reports on non-compliance risks and the measures necessary to be taken to manage such risks, and reports to the Board of Directors whether the Company and its employees comply with the requirements of EMIR and its implementing regulations and other applicable regulations and regulatory tools,

- regularly informs the Board of Directors and the CEO of the Company on the implementation of the annual compliance action plans, changes in non-compliance risks and the measures required to manage such risks,
- in order to perform compliance tasks, it creates, manages and keeps up to date the necessary records, requests and checks the required disclosures,
- as part of compliance control, it may request internal audit reviews and may directly act towards the Board of Directors for approval of the necessary measures,
- monitors the measures taken to eliminate discrepancies detected in its own reviews,
- manages conflicts of interests across various areas of the Company, examines conflicts of interests and reporting obligations,
- manages conflicts of interests of employees and executives employees, checks compliance with the rules on executive employees, organizes the reporting obligation, retains declarations made pursuant to the Regulation on Investments of Executive Employees and Employees and declarations related to the investments of persons considered executive employees of the Company,
- performs compliance control tasks at the Company related to the prohibition of insider trading and market manipulation,
- determines in internal regulatory documents the direction of the flow of confidential information and restricts it in areas where the use of confidential information may result in misuse,
- informs the Supervision of any changes in the management of the Company and provides the Supervision with all information necessary to assess the reputation and sufficient experience of the senior management and independent Board of Directors members of the Company, submits a request for extension to the Supervision if it wishes to extend the Company's operation with further services or activities not included in the basic licence,
- informs the Supervision of all substantive changes affecting the conditions of the Company's licensing without undue delay,
- prepares a report for the Board of Directors at least once a year, presenting the compliance risks and proposals for the elimination thereof, as well as the assessment whether the Company and its employees meet the requirements of the EMIR and its implementing regulations and other relevant legislation,
- the Chief Compliance Officer is a permanent invitee at the meetings of the Board of Directors of the Company, in order to ensure the enforcement of independent internal controls and to avoid any potential information asymmetry,
- the Chief Compliance Officer ensures that the persons involved in Compliance are not involved in the execution of the services or activities they supervise, and any conflict of interest related to such persons is properly explored and terminated.

Compliance is led by the Chief Compliance Officer (CCO).

Compliance performs its duties concerning all organizational units. The qualified employer rights are exercised over the Chief Compliance Officer by the CEO, on condition that the approval of the Board of Directors is necessary for his/her appointment, and the approval of the Supervisory Board is necessary for the termination of his/her employment initiated by the employer. The professional management and control of Compliance is the responsibility of the Board of Directors.

### **3.6 Chief Technology Officer (CTO)**

The Chief Technology Officer ensures that the IT systems of the Company are created and operated in an efficient and reliable manner, and is responsible for this and for the undisturbed operation of IT processes.

Having regard to the fact that the IT and security management tasks and processes of the Company are outsourced (for details please see 2.13. Activities outsourced by the Company), based on the business need of the Company, the he Chief Technology Officer in charge defines, and in case of identified technology need makes proposal on the IT support needs related to IT processes, IT developments, procurements, operation and application supervision, the technical conditions of data protection and the tasks performed by the employees of the Company . It checks the IT and security management processes, tasks, related performance and compliance based on the Service Level Agreement, and makes periodic reporting thereon, but at least one report per year, to the management of the Company.

The Chief Technology Officer is also responsible for:

- the professional checking of the internal regulations governing IT and security management tasks and processes of the Company,
- complying with and ensuring compliance with the IT and security management tasks and processes of the Company defined in applicable regulations and internal regulations,
- planning IT services, developments to improve the efficiency and effectiveness of business processes, and making proposals on IT needs, keeping contact with IT experts and suppliers, including the representatives of organization(s) undertaking outsourced activities,
- providing support as IT expert to the decision making of the Company,
- in light of the accepted and approved IT strategy of KELER Ltd., defining IT strategy directions of the Company to support the implementation and sustainability of strategic goals and business processes in line with the business strategy.

If an issue relating to the competence of the Chief Technology Officer is discussed by the Board of Directors of the Company, it can attend Board meetings in order to ensure the effectiveness of independent internal controls and to avoid any information asymmetry.

The Chief Technology Officer is required to be involved in the preparation for decision making, decision making, approval, validation processes related to business processes supported by IT infrastructure, with particular regard to the IT procurements of the Company. As a result, the Chief Technology Officer is a permanent invitee to the meetings of the Portfolio Council in order to ensure the above requirements are met and to avoid any information asymmetry. Additionally, the Chief Technology Officer is required to approve the project request form (PT1) resulting in IT development also, submitted by the business areas of the Company, it also checks that the form is in line with the provisions of KELER Group 6-20 Development Management Regulation. In later project/task phases, it cooperates and provides IT quality assurance. It is responsible for making sure that the IT development concerned fits the IT infrastructure operated by KELER Ltd. and the licencing processes.



In case of absence, the Chief Technology Officer is deputized by the staff member of the area authorized in writing by the Chief Technology Officer.

The IT activities of the Company are outsourced and directly assist the work of the Chief Technology Officer in charge. The Chief Technology Officer is responsible for monitoring the activities stated in the outsourcing agreement and for ensuring compliance with the provisions of the outsourcing agreement.

The direct supervisor of the Chief Technology Officer is the Chief Operations Officer.

### **3.7 Internal Audit**

Internal Audit performs its activities based on the annual work plan approved by the Supervisory Board.

Audit tasks in addition to those included in the approved annual audit plan may be defined for Internal Audit only by the Supervisory Board, the Head of Internal Audit, and - upon the agreement and subsequent notification of the Supervisory Board - the CEO.

Internal Audit operates under the professional management and control of the Supervisory Board. The Head of Internal Audit is subject to reporting obligation to the Supervisory Board.

Internal Audit performs the internal auditor function under EMIR.

#### **Tasks and responsibilities**

Compiles an annual audit work plan to schedule the audit tasks of Internal Audit, which shall be approved by the Supervisory Board. When defining the audit tasks, the examination of high-risk, high-priority activities and processes and the functioning of controls, as well as the audit demands of the Supervisory Board/CEO must be given essential consideration.

Internal Audit performs comprehensive topic, aim and follow-up examinations based on the annual work plan accepted by the Supervisory Board.

Tasks of Internal Audit, in accordance with the relevant legal requirements:

- a) to examine the Company in terms of operation according to its internal regulations,
- b) central counterparty activity, compliance with the law, security and transparency, and
- c) all tasks allocated to it under specific legislation.

It prepares a report about conducting the audit(s) as well as the results, and shall make proposals as to the elimination of the deficiencies.

In the course of its examinations, Internal Audit checks compliance with the contents of the relevant legal requirements and internal regulations and whether the content of regulations is sufficient.

It reviews and expresses opinion in relation to the audit processes of the business areas as well as the establishment of the control points and the operation of the established processes in line with the rules.

It reviews the establishment and operation of the checks built into the workflow.

It facilitates the efficiency of management and the protection of property.

It reviews regularly whether the performance of the outsourced activities occurs in line with the contract.

It checks whether the tasks defined in the action plans or the letters documenting the audit (e.g. letter of the lead auditor) to eliminate the deficiencies revealed by the external authority and other investigations (e.g. the Central Bank of Hungary, independent auditor) during the check of the Company's activities are performed in time, and whether all measures have been taken by the Company to eliminate the revealed discrepancies and errors.

It checks whether the reporting obligation to the Central Bank of Hungary and any other reporting obligation prescribed for the Company are performed according to the requirements.

The internal auditor is the Head of Internal Audit.

Internal Audit performs its duties directly under the control of the Supervisory Board, concerning all organizational units. The organizational unit is led by the Head of Internal Audit.

The employer rights are exercised over Internal Audit by the Chief Compliance Officer, on condition that the approval of the Supervisory Board is necessary for the establishment and the termination of employment initiated by the employer.

The IT internal audit of the Company is performed within the framework of an outsourcing agreement.