

The Association of Global Custodians - Questionnaire - Database

Hungary- KELER Ltd. - View Record

Name

Hungary- KELER Ltd.

HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT

The purpose of this section is to consider the process (and any risk inherent within such a process) that involves the safekeeping of client assets while they are being removed from a depository and being lodged into a depository.

57. How are eligible securities lodged (that is, placed) in the depository system? (Choose all that apply.)

Other (please answer 57a)

57a. Please describe:

All participants must deliver the securities to the depository with a blank endorsement in order to comply with fungibility requirements.

58. When are securities lodged into the depository reflected in a participant's depository account? (Choose all that apply.)

Other (please answer 58a)

58a. Please explain:

Normally on the same day. After delivering securities to Erste Bank, there is a checking process. Securities will be credited to the requested account (or sub-account) strictly after this well done process and the notification of KELER sent by Erste Bank. Normally it can be done on the same day. In case of any anomalies demanding repeated checking, the reflection will may be done only on the next day.

59. How long does it usually take to lodge securities with the depository? (Choose one.)

1 to 2 days

60. During the process of lodging securities into the depository, can the securities:**Be traded?**

Other (please answer 60c)

60a. During the process of lodging securities into the depository, can the securities:**Be settled?**

Other (please answer 60d)

60b. During the process of lodging securities into the depository, can the securities:**Have ownership transferred?**

Other (please answer 60e)

60c. If they cannot be traded, or if you answered other, please explain:

Trading in KELER is possible after Erste Bank notifies KELER about the lodgement and KELER credits the security to the requested account.

60d. If they cannot be settled, or if you answered other, please explain:

Settlement in KELER is possible after Erste Bank notifies KELER about the lodgement and KELER credits the security to the requested account.

60e. If ownership cannot be transferred, or if you answered other, please explain:

Ownership transfer in KELER is possible after Erste Bank notifies KELER about the lodgement and KELER credits the security to the requested account.

61. Are securities immediately available for delivery upon transfer to the depository?

Other (please answer 61d)

61d. If other, please explain:

Securities are available for transfer after Erste Bank notifies KELER about the lodgement and KELER credits the security to the requested account.

62. Please describe briefly the arrangements/procedures/facilities you maintain to ensure that eligible securities held at the depository are handled at least as efficiently as compared to securities held outside the depository, particularly in relation to income, corporate actions and proxy services.

After the physical security is credited by KELER to the requested account the treatment of the security is the same as the dematerialised securities. All physical securities are booked to securities account, income and corporate action services are provided upon the data recorded in KELER's systems. At the instruction of the issuer KELER undertakes to complete coupon cutting, in case of securities without coupon stamping corresponding to coupon cutting related to payment of dividend, yield and interest and to annul and destroy securities and coupons.

63. What transfer process steps are involved when eligible securities are withdrawn from the depository for safekeeping? (Choose one.)

Securities are transferred as is any physical delivery in the market.

64. How long does it usually take to remove securities from the depository? (Choose one.)

1 to 2 days

65. While the securities are being removed from the depository, can they:

65a. Be traded? (Choose one)

Other (please answer 65b)

65b. Please explain:

Trading in KELER is not possible after Erste Bank notifies KELER about the removal and KELER debits the account.

65c. Be settled?

Other (please answer 65d)

65d. Please explain:

Settlement in KELER is not possible after Erste Bank notifies KELER about the removal and KELER debits the account.

65e. Have ownership transferred?

Other (please answer 65f)

65f. Please explain:

Ownership transfer in KELER is not possible after Erste Bank notifies KELER about the removal and KELER debits the account.

STANDARD OF CARE

The purpose of this section is to understand the responsibility and liability that the depository has in providing services to its participants/members in the settlement and clearing of securities and/or cash, and to understand what type of protections exist for participants in the event of a participant failure/default.

Depository Liability

66. Does the depository accept liability (independent of any insurance coverage) for the following:

66a. Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants?

Yes (please answer 66b)

66b. If yes, please check all of the following that apply:

The depository assumes liability for direct losses

66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository that result in direct damages or losses to participants?

Yes (please answer 66f)

66f. If yes, please check all of the following that apply:

The depository assumes liability for direct losses

66i. Failure of the depository's systems that result in direct damages or losses to participants because they cannot use either securities or funds?

Yes (please answer 66j)

66j. If yes, please check all of the following that apply:

The depository assumes liability for direct losses

66m. Any direct damages or losses to participants caused by the depository due to its errors, omissions or fraud?

Yes (please answer 66n)

66n. If yes, please check all of the following that apply:

The depository assumes liability for direct losses

66q. Any direct damages or losses to participants caused by the depository in its capacity as a central counterparty?

Other (please answer 66t)

66t. If other, please explain:

KELER CCP Ltd. (subsidiary of KELER) is the sole central counterparty regarding guaranteed Budapest Stock Exchange transactions and regarding guaranteed gas market transactions and power market obligations.

66u. Does the depository guaranty settlement?

Other (please answer 66w)

66w. If other, please explain:

KELER CCP (subsidiary of KELER) as central counterparty guarantees transactions concluded on the guaranteed markets of the Budapest Stock Exchange to its clients. The guarantee is supported by individual collateral of clearing members, collective guarantee funds and KELER CCP's assets.

66x. Any direct damages or losses to participants caused by the depository as a result of force majeure events, acts of God, or political events, etc.?

No

66+. In all cases where the depository assumes responsibility for direct or indirect or consequential losses, is the depository's liability limited by a standard of care determination?

Yes (please answer 66*)

66*. Please define the standard of care applied:

The depository shall repair direct pecuniary losses of its customers proved by proper evidence if such damages are attributable to and occurred in the operation of the depository. The depository is exempted from liability for any damages, pecuniary losses, lost profit or non-material damages that may occur beyond its operations based upon statutory provisions and/or its General Business Rules. The depository shall be relieved of liability if it is able to prove that it has acted in a manner that can generally be expected in the given situation.

67. Do the depository's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the depository in the form of?

67a. Indemnification

No

67d. Insurance

Yes (please answer 67e)

67e. Please explain (then please answer 67f):

Capital Market Act, 2001/CXX

67f. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

Articles 340/A (2) a); 340/B f) of Capital Market Act, 2001/CXX Please see question 7 documents uploaded.

67g. Acknowledgement of liability for losses caused by depository's own actions.

Yes (please answer 67h)

67h. Please explain (then please answer 67i):

KELER Ltd and KELER CCP Ltd General Business Rules detail rules regarding acknowledgement of liability.

67i. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

KELER General Business Rules 10.4. KELER CCP General Business Rules 11.4. Please see question 7 documents uploaded.

67j. Other

68. Is the depository immune from legal action in its own jurisdiction?

No

Security Control

69. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? (Choose all that apply.)

By direct electronic link, By receipt of physical account holding statements

70. Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?

Yes (please answer 70a)

70a. How is access given to participants? (Choose all that apply.)

By direct electronic link (please answer 70b)

70b. Please select type of electronic link:

Dial-up modem, Secured, leased, dedicated telephone line, Internet, Fax

71. Regarding data security:

71a. Are passwords used by participants to access their accounts?

Yes

71c. Does each user have a unique user ID?

Yes

71e. Are passwords regularly changed?

Other (please answer 71g)

71g. If other, please explain:

It is up to the policies and practices of the participants. KELER offers the possibility to change passwords but does not require them to be changed regularly.

71h. Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?

Yes (please answer 71i)

71i. How many?

3

72. Does the depository communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?

Yes (please answer 72a)

72a. Please explain:

1. Exchange - leased line 2. Payment system - SWIFT 3. MTS-Hungary - SWIFT

73. How does the depository communicate with other market entities?**73a. Stock Exchanges (Choose all that apply.)**

Secured, leased, dedicated telephone line

73b. Payment Systems (Choose all that apply.)

Secured, leased, dedicated telephone line

73c. Clearing Houses (Choose all that apply.)

Not applicable

73d. Registrars (Choose all that apply.)

Not applicable

74. How is access to the physical building controlled? (Choose all that apply.)

By guards, By electronic keys/personal ID card, By alarm system

75. What are the vault security procedures for the safekeeping of physical paper? (Choose all that apply.)

Electronic keys/combinations, Dual access control, Visitor logs, Vault counts (please answer 75a), Intrusion alarms, Fire alarms, Guards, Other (please answer 75b)

75a. Please indicate frequency of vault counts:

Full inventory on a yearly basis. Random check of dedicated units weekly.

75b. Please explain:

The vault maintenance is outsourced to Erste Bank Hungary Ltd (see question 51i). Erste Bank is responsible for security in the vault. The vault of Erste Bank lies outside KELER's headquarters.

Participant Default Protections Resulting from a Participant Failure**76. If a participant defaults, how is the loss covered? (Choose all that apply?)**

Not applicable

76c. If other, please explain:

The CCP within the KELER Group does have loss sharing mechanism and KELER Ltd. takes part in the CCP's default procedures as a CSD. However it does not guarantee any transactions and does not have own loss sharing mechanism.

77. During the past three years, has there been a situation where a participant defaulted which resulted in a significant loss?

No

78. Does the depository have a guaranty fund independent of stock exchange or other market guarantees?

Other (please answer 78l)

78d. How is the fund financed? (Choose one.)

Contributions from participants (please answer 78f)

78f. If so, what is the amount or percentage per participant?

The total size of the default funds are determined based on the results of stress tests – in line with EMIR requirements. The total size is then broken up between the clearing members proportionate to the risks, based on their average initial margin requirements. The minimum contribution is 5 million HUF, KELER CCP Ltd.'s contribution is 5 million HUF.

78h. Who is covered by the fund? (Choose all that apply.)

Other (please answer 78i)

78i. If other, please explain:

General Clearing Members and Direct Clearing Members of KELER CCP

78j. When is the guaranty fund used? (Choose all that apply.)

Other (please answer 78k)

78k. If other, please explain:

When a general or a direct clearing member default cannot be covered by the member's own individual collateral and KELER CCP's additional financial resources.

78l. If other, please explain:

The default funds are operated by KELER CCP Ltd.

79. Does the depository have forms of oversight management for assessing and monitoring of the following? (Choose all that apply.)

Participant eligibility requirements, Participant volumes, Participant financial strength, Collateral requirements for participants (please answer 79b), Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d), Blocking of securities movement before receipt of payment, Blocking payment until securities are moved

79b. Please explain the requirements:

KELER Ltd., the CSD collects collateral only in case of cash financing transactions to support settlement.

79d. What type or types of settlement controls (Choose all that apply.)

Simultaneous DVP (please answer 79g)

79g. Please explain:

Multilaterally netted positions (Budapest Stock Exchange spot, BSE MTS and MTS Hungary trades) are settled on a DVP basis in batch processing, other DVP transactions are executed in real-time environment on a gross basis.

80. Does the stock exchange have default protections that extend to the depository, such as the following? (Choose all that apply.)

No

BUSINESS RECOVERY PLAN

This section is intended to identify key aspects of the depository's Business Recovery Plan (BRP), including testing requirements and past results, expected recovery time periods, and the independent review and validation (if any) of the BRP.

81. Do you have a formal business recovery plan?

Yes (please answer 81a)

81a. Does your Business Recovery Plan include: (Choose all that apply.)

Back-up of all computer files, Off-site data storage, Back-up files stored and locked, Off-site operations facility

81b. Please identify both the frequency and the last date of testing for the following third party:

Depository participants/members

Live BCP test is carried out yearly. Last date: 21 March 2014 live testing of contingency infrastructure.

81c. Please identify both the frequency and the last date of testing for the following third party:

Stock exchange

Live BCP test is carried out yearly. Last date: 21 March 2014 live testing of contingency infrastructure.

81d. Please identify both the frequency and the last date of testing for the following third party:

Central bank

Live BCP test is carried out yearly. Last date: 21 March 2014 live testing of contingency infrastructure.

81e. Please identify both the frequency and the last date of testing for the following third party:

Local brokers

Live BCP test is carried out yearly. Last date: 21 March 2014 live testing of contingency infrastructure.

81f. Please identify both the frequency and the last date of testing for the following third party:

Any other third party

Live BCP test is carried out yearly. Last date: 21 March 2014 live testing of contingency infrastructure.

82. How quickly can the main system be reactivated in the event of an outage? (Choose one.)

1 - 4 hours, Other (please answer 82a)

82a. If other, please explain:

Depends on the situation. Electric failure: 1-2 minutes Server farm outage: 50-80 minutes Office (building) outage: 2 hours

83. If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing? (Choose one.)

1 - 4 hours

84. Will the depository publicly announce any system interruption?

Yes (please answer 84a)

84a. To whom will the depository disclose any system interruptions? (Choose all that apply.)

To the depository regulators, To all direct participants, Other (please answer 84d)

84b. If so, please list webpage address:

84d. Please explain:

Budapest Stock Exchange

84e. How will the depository disclose any system interruptions? (Choose all that apply.)

By e-mail, By telephone, Other (please answer 84f)

84f. Please explain:

Via KELER's proprietary communication system.

85. In the past three years, has it been necessary to activate the recovery plan in a live situation?

Yes (please answer 85a)

85a. If yes, how much time was needed to implement the recovery plan? (Choose one.)

Less than 1 hour (please answer 85b)

85b. How much time was needed to recover and restore business to normal operations? (Choose one.)

8 - 24 hours (please answer 85c)

85c. What was the impact to the market? (Choose all that apply.)

All cash settlements took place as scheduled on the same day with good value, All securities settlements took place one business day late with good value

PERFORMANCE, INSURANCE, AND LOSS

This section is intended to identify the level of insurance maintained by the depository, and the extent to which coverage would extend to financial loss incurred by participants and their clients, including but not limited to losses resulting from operating performance, security breaches, and employee negligence or misconduct.

86. Has there been any material loss by the depository during the past three years?

No

87. Has the depository been subject to any litigation involving a participant during the past three years?

No

88. Has the depository realized revenues sufficient to cover expenses during the past three years? (Choose one.)

Yes for all three years

89. Does the depository maintain a reserve for operating losses?

Yes (please answer 89a)

89a. Please describe and indicate reserve amount:

Based on audited data of financial year 2011, 2012 and 2013, capital requirement for operational risk under pillar I. is approximately USD 4.3 million (USD/HUF exchange rate at 31 December 2013: 215,67).

90. Has the regulatory body with oversight responsibility for the depository issued public notice that the depository is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?

No

90b. In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the depository?

91. Does the depository have insurance to cover losses in the event of Default on settlement commitments by the depository or a participant?

No

92. Does the depository have Fidelity insurance (that is, insurance to cover loss of securities or money resulting, for example, from acts such as forgery, theft, fraud and/or employee dishonesty)?

No

93. Does the depository have insurance for Operational Errors?

No

94. Does the depository have Errors and Omissions insurance?

Yes (please answer 94a)

94a. What is the amount of the coverage?

Professional liability insurance, coverage: HUF 100 million per event and 150 million per year

94b. What is the amount of the deductible?

HUF 5 Million each and every loss.

95. Does the depository have insurance for the Premises?

Yes (please answer 95a)

95a. What is the amount of the coverage?

Third party liability insurance including tenants liability. 20 million HUF per incident and 50 million HUF per year.

95b. What is the amount of the deductible?

50 thousand HUF per incident.

96. Does the depository have any other insurance?

Yes (please answer 96a)

96a. If so, what is it for?

1. Property insurance including robbery 2. Employers liability 3. Chief officers liability insurance

96b. What is the amount of the coverage?

1. 871,2 million HUF aggregate 2. 10 million HUF per incident and 20 million HUF per year 3. 2 billion HUF per incident and 2 billion HUF per year

96c. What is the amount of the deductible?

1. 0.1-1 million HUF depending on the type of property and type of incident (natural vs. robbery) 2. 50 thousand HUF per incident 3. 1%, but min. 1,5 million HUF

97. Who is the insurance carrier? If more than one insurance carrier, please list each carrier here and provide your responses to questions 97a and 97b in corresponding order.

Allianz Hungaria Ins. Co.

97a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)

Allianz Versicherungs AG, Germany

97b. What is the term of the policy?

1.1.2014. - 31.12.2014. both days inclusive, except Chief Officers liability insurance: 1.5.2014. – 30.4.2015.

97c. Who does the insurance cover? (Choose all that apply.)

Other (please answer 97d)

97d. If other, please identify:

KELER is the (i) National Depository and (ii) Clearing House. The insurance covers the institution in both capacities. KELER CCP has separate insurance coverage.

98. If you feel that you would like to provide additional details on any of the given answers, feel free to provide any additional comments here (maximum of 5,000 characters) or prepare an additional document identifying the question(s) you are commenting on and upload the document under 98a:

98a. Upload document here:

PUBLIC AVAILABILITY

99. The AGC encourages respondents/depositories to make their answers to this questionnaire publicly available. Will you be making your response publicly available? (For additional guidance, please review the help feature to this question.)

Yes (please answer 99a)

99a. If yes, how will you be making it publicly available: (Choose all that apply.)

Web site (please answer 99b), By individual request with depository (please answer 99c)

99b. Please provide web site address of publicly available questionnaire:

http://www.keler.hu/keler/keler_angol.head.page?nodeid=180

99c. Please provide name of contact at depository who has been designated to receive such requests (then please answer 99d).

Mr. Gabor Szentpeteri, Client Relations

99d. How would they prefer to be contacted? (Choose all that apply.)

Telephone (please answer 99e), By e-mail (please answer 99h)

99e. Please provide telephone number:

+3614836275

99h. What is the preferred e-mail address for such requests:

szentpeteri.gabor@keler.hu

100. Association members from time to time receive requests from their direct investor-clients for an informational copy of a depository's completed questionnaire. Such requests typically lead to interactions between personnel at the depository in question and member personnel or client personnel, or both. Those interactions take time and impose costs on both members and depositories.

Do you approve of Association members delivering a copy of your completed questionnaire to the member's direct client in response to the client's request?

Yes

You have reached the end of the questionnaire. Please be sure your contact details are updated. Your contact information is located in the first section of Part One within this questionnaire.

Please also be sure to print your responses and review them prior to changing Datasheet Progress to "Completed" under Part Two. (To print, select the printer friendly link at the top of the questionnaire.) When you are prepared to submit your answers, please return to Part One and Part Two of the questionnaire and change Datasheet Progress to "Completed". The members of The Association of Global Custodians thank you for your time and for your helpful response.

Please provide any comments you have regarding the questionnaire.

From 1 January, 2009 KELER CCP Ltd. (subsidiary of KELER) is the sole central counterparty in Hungary. Until that time KELER provided both CSD and CCP services. From 1 January 2013, KELER CCP provides clearing services for the guaranteed Hungarian markets, until that time KELER provided such services. This way KELER CCP became a fully fledged clearinghouse. KELER Group provides clearing, settlement and guarantee taking services for the Hungarian market. On 4 May 2015, KELER replaces its CSD system, and introduces Tata Consultancy Services' BaNCS system. This change might result in changes in the answers provided, which will be reflected in the next year's Association of Global Custodians Questionnaire.

Datasheet Progress

Completed