

**BOOK THREE
REGULATIONS ON
EXCHANGE MEMBERSHIP**

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I. GENERAL

Chapter 1

**PURPOSE, SUBJECT MATTER, FUNDAMENTAL PRINCIPLES, AND EFFECT OF
THE PRESENT BOOK**

1.1. Purpose of the present Book

1.1.1. The goal of Book Three of the General Terms of Service of the Budapest Stock Exchange Ltd. – Regulations on Exchange Membership” (hereinafter: Regulations on Exchange Membership) was the development and approval of clear rules that protect the interests of Exchange Members and Investors, regulating the legal relationship between Exchange Members and the Exchange, the procedure of granting membership, and containing the fundamental restrictions of trading that ensure a high level of protection of investor interests and offer guarantees for the smooth flow of uninterrupted trading on the Exchange, and providing the requirements Exchange Members need to comply with in order to achieve the aforementioned goals as well as the information system rules regarding Exchange Members, the monitoring procedures, and the scope of applicable sanctions.

1.2. Subject Matter of the present Book

1.2.1. The subject matter of the present Book is to capture the rights and obligations of the Exchange and of the persons subject to the present Book in connection with the specification of the rules relating to Exchange Members and to record the related rules of procedure in accordance with the purpose also mentioned above.

1.3. Fundamental Principles of the present Book

1.3.1. The principles to be applied concerning the application and interpretation of the present Book are set out in Section 6. of Book One – Introductory and Interpretative Provisions.

1.4. Effect of the present Book

1.4.1. The persons covered by the present Book include the Exchange, the officers and employees of the Exchange, and the members of each Section.

Chapter 2
DEFINITION OF BASIC TERMS

The terms in the present Book indicated with capital letters shall have the meaning defined in the definitions set out in Book One - Introductory and Interpretative Provisions.

PART II
RULES GOVERNING SECTIONS AND EXCHANGE MEMBERS

Chapter 1
DEFINITION OF AND THE RULES OF OPERATING A SECTION

2 Definition

- 2.1 A Section is a unit in trading on the stock exchange which has unique rules based on the subject (product) of trading, the parties holding the trading licence, and the manner of clearing and settlement.
- 2.2 Trading on the Exchange may only be conducted in a Section and according to the rules thereof by holders of the trading licence granted with Exchange membership.
- 2.3 Trading on the Exchange is possible in the following Sections:
- a) Equities Section
 - b) Debt Securities Section
 - c) Derivatives Section
 - d) Commodities Section
- 2.4 Trading in the Derivatives Section is split between the Futures and the Options Markets.
- 2.5 Trading in the Commodities Section is split between the Spot, Futures and Options Markets.
- 2.6 The products eligible for quoting in a Section are specified in the Regulations on Listing and Continued Trading.
- 2.7 The method of trading in each Section is specified in the Code of Trading.
- 2.8 The method of clearing and settling transactions in each Section is specified in the KELER Rules. In the Commodities Section, the rules of Physical Delivery are specified by the Product List.

3 The Termination of a Section

- 3.1 In the event that the number of Exchange Members in a Section having the trading licence and whose trading licence is not suspended falls short of three, the Exchange has the right to terminate the given Section.

4 Decision-Making Powers Granted by the Regulations on Exchange Membership and the Liability of the Exchange

- 4.1 The Board has the power to decide in the following matters:
- a) evaluating appeals;
 - b) the Board has the power to decide all issues it removes from the competence of the CEO and reserves the right to decide on.
- 4.1.1 The Board decides on the issues set forth in section 4.1 by a resolution.

4.1.2 Unless otherwise indicated in an Exchange Rule, decisions on matters specified in section 4.1 must be disclosed to the public in accordance with the Regulations on Official Publications at least two (2) Exchange Days before they enter into force.

4.2 The CEO has the power to decide in the following matters:

- a) granting Exchange membership and trading licence in a Section, establishment of legal succession;
- b) suspending the trading licence by the Exchange, limitation of the trading licence by applying the close out status by the method determined in the Code of Trading restoring the trading licence and termination of the close out status;
- c) registration or removing of traders;
- d) terminating Exchange membership and the trading licence;
- e) applying sanctions.

4.2.1 The CEO will resolve the issues set forth in Article 4.2 – with the exception of Article 4.2 c) – by taking a decision within his own authority. However, if the issue involves an application for Admission or the Termination of Membership not approved by the CEO, the CEO will also have the right to take a decision also in cases related to Article 4.2. c).

4.2.2 Unless otherwise indicated in an Exchange Rule, decisions on matters specified in section 4.2 must be disclosed to the public in accordance with the Disclosure Bylaws.

4.3 In individual cases that deserve special consideration, the Board and the CEO are entitled to make a decision that diverges from the provisions of the Regulations on Exchange Membership.

4.4 Liability of the Exchange

The principles to be applied concerning the application and interpretation of the present Book are set out in Section 6. of Book One – Introductory and Interpretative Provisions.

**Chapter 2
EXCHANGE MEMBERSHIP**

5 The General Rules of Exchange Membership

- 5.1 Exchange membership is a contractually arranged legal relationship acquired upon fulfilling the conditions set forth in the Regulations on Exchange Membership and following the procedures described hereunder. Exchange Members acquire the rights of membership and the trading licence in their given Section.
- 5.2 Exchange membership may not be transferred nor may the rights associated with Exchange membership be assigned to a third party even on a temporary basis. In the event that an Exchange Member ceases to exist and has a legal successor, the legal successor of the Exchange Member will also inherit Exchange membership if the successor complies with the requirements thereof. The Exchange Member shall verify before the Court of Registration of Legal Succession that the legal successor complies with the conditions of Exchange membership in accordance with the procedure conducted for the purposes of acquiring Exchange membership.

5.2.1. Parties eligible for acquiring Exchange membership include

- a) In order to perform the actions necessary when trading Stock Exchange Products, or even one single Stock Exchange Product, the person handling such trade must have the appropriate legal licence to perform said action in the Equities Section, in the Debt Securities Section, and in the Futures and Options Markets of the Derivatives Section, as well as in the Spot, Futures and Options Markets of the Commodities Section;
- b) Commodity Exchange service provider in the Spot, Futures and Options Markets of the Commodities Section;
- c) Cross members in Sections covered by the relevant agreement on cross membership.

6 Granting Exchange Membership and the Conditions of Concluding a Exchange Membership Agreement

- 6.1 Exchange membership is granted upon the conclusion of an Exchange membership agreement between the Exchange and an Exchange Member.
- 6.2 The Exchange may conclude a contract with an Applicant for Exchange Membership if the applicant meets the following conditions and submits the documents listed hereunder:
- a) an application to join one or more Exchange Sections, specifically stating the name of the Stock Exchange Product/ Product Group the Applicant wishes to trade in,
 - b) an official document no more than 15 days old, certifying that the Applicant is a registered company legally operating at the address given as its registered office,
 - c) a permit from a competent supervisory or other authority certifying that the Applicant is in possession of a supervisory document or other document of authorization stating that the Applicant is entitled to trade in the given Stock Exchange Product,

- d) when necessary, a certification from a supervisory or other competent authority that the Applicant is entitled to provide services extending beyond national borders,
- e) certification that the Applicant can ensure the clearing of the Stock Exchange Products in the given area.
 - (1) For an Applicant for Clearing Membership, a certification from the Clearing organization of Clearing Membership and of having opened the necessary accounts and having fulfilled all additional conditions for Clearing transactions,
 - (2) An Applicant for Sub-Clearing Membership will need:
 - i. A General Clearing Member's statement that it has concluded a Clearing Contract with the Sub-Clearing Member and that the General Clearing House Member will serve as a guarantor for the transactions of the Sub-Clearing Member, and
 - ii. A statement from the organization handing the Clearing confirming that the General Clearing Member is in fact a clearing member,
- f) an Applicant for Sub-Clearing Membership will submit a declaration from a General Clearing Member for whom it performs the clearing services, in accordance with Article 6.4 of the Regulations on Exchange Membership,
- g) an authorization of at least one Trader dealing with the given Stock Exchange Product or Products – in keeping with Article 8. of the Regulations on Exchange Membership – regarding trading in the given section,
- h) certification of the existence of the technical conditions needed to trade in the given Stock Exchange Product or Products
- i) certification of having paid the annual minimum fee set for the given section,
- j) an official declaration or a statement certifying that the contents of the attached declarations and documents are true and that the Applicant has not left out any information that would be necessary to pass a substantive ruling on the membership application.

6.3 For an applicant for Cross Membership in addition to meeting the conditions set forth in Article 6.2 of the Membership Contract, the following Stock Exchange conditions also have to be met and the documents listed presented for the contract to be concluded:

- a) A certification that the applicant is a Member of, or that it has trading licences in its own Stock Exchange;
- b) Proof that the Applicant meets the conditions set down in the Cross Membership agreement between the Exchange and Applicant's Home Stock Exchange regarding the other conditions for Exchange Membership

- 6.4 The General Clearing Member offering clearing services to Exchange Members that do not have Clearing membership is required to submit a declaration to the Exchange agreeing to adhere to the pertinent portions of the Regulations on Exchange Membership.
- 6.5 The Applicant for Exchange Membership shall attach an original copy of the application and the attached declaration in either hard copy or electronic form, signed as per business documents or by an authorized proxy, while the other attachments to the application shall be submitted either as originals or as copies. The Exchange will only accept documents submitted in Hungarian or English, as originals or as certified translations. The Exchange may issue exemptions from submitting these documents if the documents are accessible in a certified and credible public record.
- 6.6 Exchange Members must continuously abide by the conditions precedent to concluding an agreement on Exchange membership throughout their term of membership.

7 The Procedure for Acquiring Exchange Membership and the trading licence

- 7.1 An application for concluding an Exchange membership agreement and trading licence must include the documents and certificates listed in Sections 6.2 and 6.3.
- 7.2 The Chief Executive Officer shall issue a decision on granting Exchange membership and the trading licence and on concluding an Exchange membership agreement with the applicant within thirty (30) days after receipt of an application that abides by all the conditions in full, An Exchange membership agreement takes effect at the date specified in the decision of the CEO. (onset of Exchange membership)
- 7.2.1 In respect of a submitted application for Exchange membership and the trading licence, the Trading Committee has the power to issue an opinion, and the Exchange shall notify the Trading Committee on all applications for Exchange Membership and, should the Trading Committee request so, shall make available the documentation received with the application to the Trading Committee.
- 7.3 If an application fails to conform to the provisions of law or to a condition required by an Exchange Rule, the CEO shall instruct the applicant in writing within 5 (five) Exchange Days to submit any missing documents and shall identify the inadequate documentation item by item.
- 7.4 Applicants must deliver missing documents to the Exchange within ten (10) Exchange Days of the receipt of the instructions specifying the inadequate documentation.

- 7.5 The Chief Executive Officer shall pass a resolution on the procedure of granting Exchange Membership on the basis of available documents following the receipt of such missing documents or the expiry of the deadline specified above.
- 7.6 The period for evaluating an application for an exchange membership agreement restarts on the date the applicant submits missing documents.
- 7.7 An application for concluding an exchange membership agreement may only be rejected on the grounds that it fails to comply with the provisions of law or the terms of an Exchange Rule.
- 7.8 The Chief Executive Officer shall include a detailed explanation in any decision that contains a rejection.
- 7.9 If an Applicant who is already an Exchange Member applies for trading licence for another Stock Exchange Product, Product Group or Section, the Applicant does not have to resubmit all the documentation already submitted if their contents continue to be valid at the time the new application is submitted. However, the Applicant is mandated to issue a declaration to the Exchange to the effect that the contents of the documents are unchanged and continue to be true.
- 7.10 If an Applicant who is already an Exchange Member applies for trading licence for another Stock Exchange Product, Product Group or Section, the Chief Executive Officer shall issue a decision on granting the trading licence within 5 (five) Exchange Days after receipt of an application that abides by all the conditions in full.

8 Registering, suspending, deleting Traders

- 8.1 Upon an Exchange Member's written request, the Exchange shall register traders who meet the requirements hereof on the Exchange Trader List and provide them with access to the Trading System two (2) Exchange Days after the receipt of all documents necessary for registration. The Trader List contains the name of the trader and the employing Exchange Member. The Trader List is public and open for inspection by anyone.

8.1.1 Trader specifications

To be registered as a Trader on the Exchange representing a Member, the Applicant must meet the following conditions and submit the following documents:

- a) The prospective Trader's personal data (Name, Date and Place of Birth, Address, Mother's Maiden Name), which are to be included in a private document of full legal validity that also contains a statement that the applicant meets the following conditions:
- Is over the age of 18,
 - Has no criminal record,
 - Has at least a high school (secondary school) diploma,
 - Is not under a trading ban,
 - In the past 3 (three years) applicant has not been a leading official in, or in a top management position of a business that was liquidated or subjected to bankruptcy proceedings, has not been a manager or trader

commissioned with investments or commodity exchange activities for said business, and/or has not been declared responsible under civil or criminal law for the liquidation or bankruptcy or declared responsible by a labour court,

- Has passed the examinations required for trading in the given Section or on the Exchange as set forth in Annex 1 and has passed the Trading System Examination specified by the Stock Exchange,
- If at or prior to the time of submitting the application, the Applicant is/was registered as a trader on any stock exchange within the European Union, then a confirmative statement of other stock exchange registration may be submitted with the application in lieu of the professional examination specified above.
- If the Applicant is not a registered trader on any stock exchange within the European Union, Applicant is required to issue a statement to that effect so that any other Stock Exchange in the European Union will accept the given training as the knowledge requisite for the position of trader on the given market.

- b) A statement from the Exchange Member to the effect that the Trader is either its full-time employee, or is legally commissioned to trade for the Member on the long term, as well as an authorization stating that the Trader may conduct Stock Exchange transactions in the given Section in the name of the Exchange Member (i.e. is authorized to represent the Member).

8.1.2 In order for the Trader application to be submitted, the application and the declaration attached to it must be submitted in original hard copy or electronic form, signed professionally or by a proxy. The other annexes may be submitted either in the original or as copies. The Exchange will only accept documents originally written in Hungarian or English, or as certified translations into one of these languages. The Exchange may exempt an Applicant from submitting documents if they can be proven to exist in credible public records.

8.1.3 If the Trader is already registered to trade at another stock exchange where trading is conducted using a trading system identical to that of the Stock Exchange, the Stock Exchange will exempt the Trader from the Trading System Examination cited in Article 8.1.1a).

8.1.4 The Exchange shall grant a trader additional access level privileges to the Trading Systems of the Exchange within two (2) Exchange Days of receipt of the relevant Exchange Member's written request.

8.1.5 Exchange Members may request that several of their Employees be entered in the Trader List as traders but a Trader may be included in the Trader List exclusively as a Trader of an Exchange Member

8.1.6 In the absence of any other form of regulation, the Trader of the Exchange Member will be identified in the Trading Systems of the Exchange by the Exchange Member's user name. To guarantee secure conditions, accessing the Exchange Trading System will require the user name and password, as well as another security code (for e.g. certifications or security tokens). This security code will be issued by the Stock Exchange. One user may have more than one user name and password.

8.1.7 A person with the authorization of the Exchange Member entitling that person to receive

the user name and password to access the Trading Systems of the Exchange and the connected security code (for e.g. certifications or security tokens), will receive them in person or in the form of a password-protected file.

- 8.1.8 Both the Exchange Member and the Trader will be held responsible for all consequences related to the handling of the user names and security codes required to access the Trading Systems of the Exchange, for any unauthorized use, as well as for conducting trades, and submitting orders and counter-orders in keeping with regulations.
- 8.1.9 A Trader must limit all Trading Orders and Countertrades to the Section and Market in which s/he is authorized to trade in accordance with the Regulations on Exchange Membership.
- 8.1.10 When effecting trades, the Exchange Trader may only exercise the rights and responsibilities in the name of the Exchange Member for which s/he has a written authorization to trade.
- 8.1.11 Whenever a trader is prohibited from acting as one, the Exchange removes the person affected from the Trader List as of the effective date of the resolution on the prohibition from acting as a trader. The Trader is obliged to inform the Exchange about the prohibition immediately. Exchange Members may initiate the re-entry into the Trader List of a person prohibited from acting as a trader after the period of prohibition elapses in the manner provided in the Regulations on Exchange Membership.
- 8.1.12 Exchange Rules may contain other provisions concerning senior officers and persons in charge of trading in securities at an Exchange Member and regarding traders.
- 8.1.13 The Exchange issues 1 (one), so-called assistant trader's entitlement per Exchange Member. An Exchange Member has to request such an entitlement in writing. Such an entitlement may exclusively be used to process data that can be found in the Trading Systems of the Exchange to promote the Exchange Member's own business operation. The Exchange issues such an entitlement 2 (two) exchange trading days upon the receipt of such a request. The Exchange issues one password that ensures access to the Trading Systems with assistant trader's entitlement to a person who can present the relevant authorization of the Exchange Member concerned. The assistant trader's entitlement does not authorize an Exchange Member to engage in trading on the Exchange; it may only observe information about trading. Such an entitlement definitely does not authorize an Exchange Member to share information with, or transfer in any way to, any legal or natural persons or any other organizations, either free of charge or for consideration, any information about Stock Exchange trading that appears on the Traders Trading System.
- 8.1.14 Exchange Members may request in written that the Exchange shall suspend entitlements of the Trader described in the Regulations on Exchange Membership – starting the date requested by the Exchange Member or, in the absence of this, within 1 Exchange Day – for a maximum duration of 10 Exchange Days.
- a) During the suspension, the Exchange Member may at any time request the lifting of the suspension.
 - b) In absence of a request for lifting the suspension by the Exchange Member the Exchange may delete the Trader from the Trader List after the maximum duration of the suspension.
- 8.1.15 Exchange Members may request in written that the Exchange shall delete the Trader from the Trader List - starting the date requested by the Exchange Member or, in the absence

of this, within 1 Exchange Day.

9 Suspending or terminating the Trading licence

9.1 The Exchange may suspend an Exchange Member's trading licence:

- a) upon an Exchange Member's request to have its own trading licence suspended;
- b) if a condition for an Exchange Member exercising its trading licence is not fulfilled, then the trading licence of such Exchange Member will be suspended;
- c) as part of a sanction apply by the Exchange vis-à-vis an Exchange Member.

- 9.2 In the XETRA trading system, a General Clearing Member performing the clearing work for an Exchange Member which does not have Clearing membership is directly authorized to suspend the Member's trading licence. In this case, the Stock Exchange will not take a decision to suspend. The scope and consequences of the suspension are the same as those of a suspension decision issued by the Exchange. The General Clearing Member is mandated to immediately notify the Exchange of the suspension of the trading licence of a Sub-Clearing member whose Clearings are within the authority of the General Clearing Member, as well as of the restoration of trading licence.
- 9.3 The Stock Exchange may suspend trading licence for a Section, Market, Trade Type, a group of Stock Exchange Products or a single Stock Exchange Product, even within the trading day, while the General Clearing Member only may suspend the trading licence of a Sub-Clearing Member for a Stock Exchange Product traded in all XETRA systems.
- 9.4 If the reason for the suspension of trading licence no longer exists, the entity that executes the suspension must immediately terminate said suspension.
- 9.5 The Chief Executive Officer, and in case of a second instance procedure the Board of Directors, has the power to issue a decision on the suspension and the restoration of the trading licence by the Stock Exchange

The time of suspending and restoring the trading licence shall be set in the decision issued to that effect in a manner that does not jeopardize the safety of trading and settlement on the Exchange, and which allows (with the previous point taken into account) the date to fall in accordance with the recognizable interests of the parties.

- 9.6 The trading licence may be suspended simultaneously under multiple grounds. If the suspension of the trading licence has to be ordered or instituted under multiple grounds, a separate decision shall be issued for each reason and separate decisions shall also be issued to restore the trading licence under each grounds.
- 9.7 Exchange Members are obliged to pay the related fees for the period during which their trading licence is suspended.
- 9.8 As long as the trading licence of an Exchange Member is suspended, such Member's general rights and obligations shall be modified as follows, hence a suspended Exchange Member:
- a) may not exercise trading rights in respect of the Exchange Product(s) affected by the suspension, may not enter orders, may not conclude a transaction, but may observe trading as long as the suspension is in effect;
 - b) the orders such Exchange Member entered for Exchange Products affected by the suspension shall be cancelled;
 - c) shall immediately do everything in order to avoid any violation of the interest of its principals;
 - d) shall perform the transactions it concluded in a regular manner before its trading licence was suspended;
 - e) shall perform the liabilities that arose from its trading licence earlier while said right was in effect.

9.9 Suspension of the Trading licence Upon an Exchange Member's Request

- 9.9.1 An Exchange Member may request the suspension of its own trading licence without

offering reason or explanation.

9.9.2 The Chief Executive Officer shall restore the trading licence of an Exchange Member upon the member's request if the Exchange Member fulfils all the conditions required for exercising the trading licence.

9.10 Suspension of the Trading licence Upon a Failure to Comply with a Condition Precedent

9.10.1 The Exchange shall suspend the trading licence in a Section upon a failure to meet a condition required for granting membership or for exercising the trading licence in that Section.

9.10.2 The Exchange will suspend an Exchange Member's trading licence in a given Section, a market, a Transaction Class or in an Exchange Product if:

- a) the Exchange Member fails to observe the margining requirements provided in KELER Rules, except for those markets where trading right may be limited by applying the close out status as well;
- b) the Exchange Member fails to effect payments of its fees due to the Exchange within three (3) business days after receipt of written notice.

9.10.3 In addition to the cases specified in Section 10.2 the trading licence held by a Sub-Clearing Member shall be suspended:

- a) if the General Clearing Member performing clearing for such Sub-Clearing Member fails to fulfil the margining requirements provided in KELER Rules, except for those markets where trading licence may be limited by applying the close out status as well;
- b) if the General Clearing Member requests in writing that the Exchange suspend the trading licence of a Sub-Clearing Member for whom it performs clearing, except for those markets where trading licence may be limited by applying the close out status as well;
- c) if the General Clearing Member notifies the Exchange in writing that the clearing agreement of a Sub-Clearing Member for whom it performs clearing has terminated.

9.10.4 The Stock Exchange is not responsible for the financial outcome of any legal dispute stemming from the Clearing Agreement. Additionally, it will not investigate whether the suspension of the trading licence of a Sub-Clearing Member by the General Clearing Member or by the Exchange at the request of the General Clearing Member or the unilateral application for the termination of the Membership of the Sub-Clearing Member was in accordance with the conditions of the Clearing Agreement. The General Clearing Member is solely responsible for any suspension by the General Clearing Member of the trading licence of the Exchange member who does not have Clearing Membership.

9.10.5 The transactions properly concluded by Sub-Clearing Members before suspension shall be duly performed by the General Clearing Member settling deals on their behalf.

9.11 Exchange Rules may provide other cases of limiting the trading licence.

9.12 Termination of Trading Licence at the Exchange Member's request

9.12.1 The Exchange Member may request in written for the termination of his Trading Licence without justification

9.12.2 The Exchange shall terminate the Exchange Member's Trading Licence in the given Section at his written request by CEO Resolution effective the date requested by the Exchange Member. The Exchange Member cannot ask for a date within 5 Exchange Days from the written request.

10 Termination of Exchange Membership

10.1 Exchange membership terminates when the term of the Exchange membership agreement expires. An Exchange Member's trading licence ceases when Exchange membership terminates.

10.2 An Exchange Membership Agreement Terminates:

- a) resignation by the Exchange Member;
- b) when the Exchange Member terminates;
- c) upon cancellation or withdrawal of an Exchange Member's license to pursue investment or Commodity Exchange service activities;
- d) if the Exchange Member's trading licence is terminated in all Sections;
- e) if the Exchange Member is banned;
- f) if the Section is terminated by the Exchange in accordance with Section 3 and the Exchange Member does not have trading licence in any other Section. .

10.3 In addition to the above, a Cross Member's Exchange membership legal relation shall terminate if the cross membership agreement between the Exchange and the Cross Member's Own Exchange expires.

10.4 Exchange Members must perform the obligations and liabilities that arose before the termination of their Exchange membership legal relation regardless of such expiry.

10.5 When an Exchange membership legal relation terminates, the affected Exchange Member shall have no right to claim a refund of fees or other reimbursement from the Exchange.

11 Sanctions Applicable by the Exchange

11.1 The Chief Executive Officer may impose sanctions, included in a decision with an explanation, on members for any failure, incompleteness, or delay in the performance of the obligations provided in an Exchange Rule.

11.2 In the event that the Regulations on Exchange Membership are violated and after a hearing of the affected Exchange Member, the following sanctions may be applied if necessary:

- a) warning,
- b) fine,
- c) suspension of the trading licence,
- d) banning.

11.3 In determining the type and degree of sanction to be applied, the weight of the transgression (such as the size of the disadvantage suffered by other Exchange Members by or the actual cause leading to the transgression, etc.) shall particularly be taken into account, as shall the frequency at which the given Exchange Member commits transgressions, the moral damage done to the Exchange or to Exchange membership. For violations of the rules of settlement, the size of the amount and the period it has been outstanding shall particularly be taken into account.

11.4 The following sanctions may be imposed on traders that violate an Exchange Rule:

- a) warning;
- b) prohibition from acting as a trader on the Exchange.

11.5 Individual Sanctions

11.5.1 Warning

11.5.1.1 A warning may be used as a sanction in the event of a minor violation of an Exchange Rule, with such a sanction including a warning of the future applicability of more serious sanctions.

11.5.1.2 The Chief Executive Officer shall warn Exchange Members or traders upon a minor violation of an Exchange Rule.

11.5.1.3 The Exchange shall announce the fact that a warning has been issued by publishing the relevant decision.

11.5.2 Fine

11.5.2.1 The Chief Executive Officer may impose a fine on Exchange Members for more serious violations of an Exchange Rule or for non-compliance with the obligations set therein recurring after a warning.

11.5.2.2 The fine may range from HUF 100,000 (one hundred thousand) to HUF 1,000,000 (one million).

11.5.2.3 Fines shall be paid to the account of the Exchange within eight (8) days of receipt of the final decision. In the event of overdue payment, the defaulting Exchange Member shall pay default interest calculated for the period starting when payment falls overdue. For default interest the pertaining rules of the Hungarian Civil Code shall apply.

11.5.2.4 The Exchange shall announce the fact that a fine has been imposed by publishing the decision containing the instruction to pay.

11.5.3 Suspension of the Trading licence

11.5.3.1 The Chief Executive Officer shall suspend an Exchange Member's trading licence if:

- a) further participation by the Exchange Member in trading in that Section exposes (or may expose) the security of trading to serious jeopardy,
- b) the nature of the violation of the Regulations on Exchange Membership precludes maintaining the Exchange Member's trading licence on the Exchange,
- c) the Exchange finds at any time during a review that the Exchange Member is in material breach of the provisions of Exchange Rules, the degree of which makes imposing a lighter sanction insufficient.
- d) the Exchange Member fails to effect payment of a fine by the deadline set in the instruction to pay.

11.5.3.2 The Exchange shall announce the fact that a Exchange Member's trading licence has been suspended by publishing the related decision.

11.5.4 Banning of an Exchange Member

11.5.4.1 In cases involving serious or repeated breaches or transgressions under the regulations, the Chief Executive Officer may ban an Exchange Member from the ranks of Exchange Members of the Exchange by terminating their exchange membership agreement.

11.5.5 If a Stock Exchange Member violates the minimum quantity or price restriction as set in the Trading Code on a set price venture, the CEO will respond as follows:

- the first instance of a regulation violation will result in a warning,
- a second instance of a regulation violation will carry a fine of HUF 100,000,
- the fine will be increased by another HUF 100,000 for every additional violation of the regulations.

When determining the size of the fine, only the violations of that particular regulation in the past 24 months and the regulation violation defined under this Article will be considered.

11.5.6 Prohibition from Acting as a Trader on the Exchange

11.5.6.1 The Chief Executive Officer may prohibit a trader from acting as a trader upon a serious or repeated violation of an Exchange Rule.

11.5.6.2 The person affected by the prohibition may not participate in concluding exchange transactions that fall under the scope of investment or Commodity Exchange service activities after the prohibition takes effect and during the term thereof.

11.5.6.3 The term of prohibition shall be set in months or years, with the shortest term being six months and the maximum being three years.

12 Legal Remedy

12.1 An Exchange Member may only appeal Exchange decisions that affect the Exchange Member directly and are issued on following matters:

- a) a decision rejecting an Exchange membership and the trading licence application;
- b) a decision rejecting a trader registration or removing;
- c) a decision ordering the suspension of the trading licence and limitation by applying the close out status by method determined in Code of Trading;
- d) a decision refusing to restore the trading licence after a suspension;
- e) a decision terminating an Exchange membership agreement (banning);
- f) a decision relating to prohibiting a trader from trading activities;
- g) a decision containing a sanction.

- 12.2 A trader may only appeal a decision on sanctioning the trader.
- 12.3 The person affected by a provision in a decision by the Chief Executive Officer may appeal such a decision in a petition addressed to the Board of Directors. In its capacity as a second instance authority, the Board may revise decisions by the Chief Executive Officer. There are no further opportunities for redress within the Exchange organization against decisions by the Board.
- 12.4 Decisions with the option to appeal shall contain an explanation and shall be set in writing. Decisions shall be disclosed to the public in accordance with Exchange Rules and shall be delivered to the party entitled to appeal in a manner that allows clear identification of the date of delivery. Decisions shall be delivered to other affected parties.
- 12.5 A party entitled to appeal a decision may do so within fifteen (15) Exchange Days of receipt in a petition addressed to the Board of Directors and submitted to the Chief Executive Officer.
- 12.6 Any failure to meet the deadline for appeal shall be deemed to constitute a forfeiture of the right to appeal. There is no right to file for postponement even with certification of incapacity and such appeals may not be pursued. The Chief Executive Officer rejects overdue appeals.
- 12.7 The Board of Directors shall review decisions that have been appealed at its next meeting.
- 12.8 A simple majority of directors present at the Board meeting shall be required to reverse a decision by the Chief Executive Officer.
- 12.9 First instance decisions take effect on the day after the deadline for appealing if no appeal is filed, and second instance decisions on the day after the decision is delivered or communicated.
- 12.10 Except for first instance decisions imposing a pecuniary fine, all decisions are immediately enforceable and an appeal shall not delay the enforceability of the decision.
- 12.11 A final decision imposing a pecuniary fine is enforceable.

Chapter 3
RIGHTS AND OBLIGATIONS OF AN EXCHANGE MEMBER

13 The Rights and Obligations of Exchange Members

13.1 An Exchange Member May:

- a) participate in the election of the person to represent a Section within the framework set by Exchange Rules;
- b) participate in trading in a Section within the framework set by Exchange Rules (the trading licence);
- c) utilise the technical means necessary for trading on the Exchange;
- d) use the remedies provided in Exchange Rules.

13.2 A General Clearing Member who provides clearing services to a Stock Exchange Member who does not have Clearing Membership is authorized to suspend the trading of its Sub-Clearing member in the XETRA system.

13.3 General Obligations:

Exchange Members

- a) shall comply at all times with the respective legislative provisions, the Exchange Rules, and – in case of Clearing Members – the KELER Rules, and shall observe and abide by, and ensure that their Employees uphold, the requirements set out in detail below;
- b) shall at all times exhibit the utmost care in pursuing their investment or Commodity Exchange service activities and shall in so doing act in compliance with the stringent ethical requirements typical of the fiduciary nature of such activities in their relationship with customers, other Exchange Members, and the organs of the Exchange;
- c) shall manage their businesses in a manner that enables them to remain solvent and liquid enough to consistently meet payment liabilities as long as they maintain membership in a Section;
- d) Exchange Members who are Clearing Members shall meet their settlement and delivery liabilities towards KELER Ltd. by the given deadline;
- e) shall fill orders with the care expected of an entity in such a capacity;
- f) shall consistently pay the relevant Exchange fees.

13.4 Exchange Members shall perform their obligations continuously as long as they maintain Exchange membership and shall continue to fulfil the conditions of membership as long as they are members.

13.5 An Exchange Member's company bylaws are publicly available and shall be made accessible to any party. Exchange Members shall ensure that the provisions in their bylaws are enforced and observed in full at all times.

13.6 Each Exchange Member shall apply internal procedures and contracts that ensure the enforcement of Exchange Rules and KELER Rules and comply with all pertaining legislative provision.

14 The Procedure for Monitoring Exchange Members

- 14.1 The Exchange may conduct on-site reviews of Exchange Members and request delivery of documents for inspection from Exchange Members to check the enforcement of the Exchange Rules.
- 14.2 The Exchange may perform joint on-site audits with the settlement company and the Supervision.
- 14.3 The Chief Executive Officer may request affected Exchange Members to submit written reports of audits performed by the supervisory bodies. The Exchange Member must send such reports to the Exchange upon the Chief Executive Officer's request.
- 14.4 On-site reviews may be conducted at a member's premises by persons appointed by and holding a letter of authorization from the Chief Executive Officer.
- 14.5 The Chief Executive Officer may order an audit if the transparency of a Exchange Member's operation is not ensured, if the business conduct of the Exchange Member raises the likelihood of a solvency crisis, or in any other cases where information available to the Chief Executive Officer justifies ordering a review.
- 14.6 Whenever an audit is ordered, the Exchange will give priority to testing compliance with the provisions of Exchange Rules and legal regulations that:
- a) prohibit insider trading or unfair manipulation of market prices,
 - b) determine how Exchange Members should perform risk management, the rules of concluding agreements with customers and the performance thereof, the rules of managing customer assets, and the system of accounting and record keeping.
- 14.7 Exchange Members must make data or documents with the requested content available to the Exchange whenever the Exchange makes written or oral requests during on-site inspection as part of an audit ordered by the Chief Executive Officer. The Exchange shall handle the data thus in its possession as highly confidential.
- 14.8 The Exchange shall prepare a report of on-site audits and such reports shall include a clause by the audited Exchange Member. The Chief Executive Officer may deliver a report of desk and on-site audits to the Supervision and the clearing company. The Exchange may not disclose the information that comes into its possession during desk and on-site audits and reports to third parties other than to the clearing company and to competent authorities.

15 Disclosure Obligations by Exchange Members

15.1 Obligation to Disclose Information

15.1.1 Exchange Members shall submit timely reports to the Exchange covering information as follows:

- a) an annual report with the full text of the auditor's report attached
(deadline: one hundred and fifty (150) days from the balance sheet date in the business year, in the case of an Exchange Member with a seat in a foreign country fifteen (15) days from the balance sheet date in the business year determined by the local law)
- b) consolidated annual report
(deadline: one hundred and eighty (180) days from the balance sheet date in the business year, in the case of an Exchange Member with a seat in a foreign country fifteen (15) days from the balance sheet date in the business year determined by the local law)
- c) the monthly turnover report with the data content and by the deadline specified in the applicable CEO decision,
- d) Information included in Annex 2 of the Regulations on Exchange Membership, on the level and by the deadline specified in it,
- e) Above and beyond the foregoing, the data and information requested by the CEO in a written request, on the level and by the deadline specified in that request.

15.2 In keeping with Annex 2, of the Regulations on Exchange Membership, a Stock Exchange Member is required to notify the Stock Exchange in writing of any changes in Stock Exchange Membership. The entity submitting the notification is responsible for the truth of the notification and for the notification conforming to the contents as set down in the Regulations on Exchange Membership.

15.2.1.1 Exchange Members shall send to the Exchange the balance sheet and the profit and loss account mentioned in sub-section 15.1.1 a) by the deadline set in sub-section 15.1.1 a) and shall publish such documents in accordance with the provisions of the Regulations on Official Publications.

15.2.1.2 If an Exchange Member is also an Issuer on the Exchange, it must observe the deadlines in the disclosure provisions set forth in the Regulations on Listing and Continued Trading, as amended.

15.3 Processing and Handling Data and Information

15.3.1 The Exchange processes the data provided by Exchange Members and maintains records thereof organised according to each Exchange Member and records in a consolidated form.

15.3.2 The Exchange may handle all data in a publicly available manner unless such data are qualified as confidential securities, banking, or business information under a provision of law.

15.4 Other Provisions

15.4.1 Exchange Members shall be liable for any consequences arising from their failure to observe the requirement set out in the Regulations on Exchange Membership to

provide data and information or from the disclosure of untrue data.

- 15.4.2 Upon written instructions based on an individual-case decision of the Chief Executive Officer, the senior officers and Employees of an Exchange Member must give an account of Exchange Products - excluding government securities - held in their portfolio or the portfolio of Close Relatives living in the same household, the sale and purchase of such Exchange Products, and the transactions concluded with the given Exchange Member. The Exchange keeps statements thus received on file, which may only be used for the purposes of an investigation conducted by the Exchange, by the Supervision or some other authority. The affected parties shall be advised of such use at the time of use.

16 Effective Forms of Contact Between the Exchange and Exchange Members

16.1 Official contact between the Exchange and Exchange Members may be of the following form:

- a) written (mail, facsimile, electronically signed e-mail) messages duly signed by the Exchange Member, or the Exchange Member's communications recorded verbatim in the minutes of an official forum;
- b) written (mail, facsimile, electronically signed e-mail) messages or communications duly signed by, or announcements made at the official site of publication of the Exchange;
- c) in urgent cases, exceptional oral messages to be followed up by official written confirmation containing all material elements of the oral communication, to be given within an hour or by the close of trading on the Exchange.

16.2 Messages or communications of a form different from those specified above shall be deemed unofficial and only informative in nature.

16.3 The dispatcher of official communications shall be responsible for verifying receipt.

16.4 The language of communication shall be Hungarian or English at the Exchange Member's discretion.

**Chapter 4
MISCELLANEOUS PROVISIONS**

- 17 Except for Section 16, the provisions in Part II, Chapter 3 hereof need not be applied vis-à-vis Cross Members or shall be applied in accordance with the provisions of the cross membership agreement concluded between the Exchange and the Cross Member's Own Exchange.
- 18 In the case of Exchange Members becoming Exchange Members in the Commodities Section and Derivatives Section before the closing day of BCE's commodity market trading, as regards their traders registered as traders on that day at the latest, requirements regarding traders, specified in the Regulations on Exchange Membership shall be judged in accordance with Board resolution No. 13/2004.

ANNEXES

Annex 1

Traders' examination requirements in the different Sections and Markets

1. Traders' examination requirements in the different sections and markets

A Equities and Debt Securities Sections:

- a) Stock Exchange Examination organised by the Central European Training Foundation for Brokers and XETRA Examination, or
- b) any other examinations specified by relevant Hungarian laws as the condition of acting as a trader, and XETRA Examination, or any examinations in addition to the above required as a condition to act as a spot market trader on any exchanges of the European Union and XETRA Examination.

B Derivatives Section

1. Futures Market

- a) Stock Exchange Examination organised by the Central European Training Foundation for Brokers, Futures Examination organised by the Central European Training Foundation for Brokers and MMTS II Examination, or
- b) any other examinations specified by relevant Hungarian laws as the condition of acting as a trader, and MMTS II Examination, or any examinations in addition to the above required as a condition to act as a futures market trader on any exchanges of the European Union and MMTS II Examination.

2. Options Market

- a) Stock Exchange Examination organised by the Central European Training Foundation for Brokers, Options Examination organised by the Central European Training Foundation for Brokers and MMTS II Examination, or
- b) any other examinations specified by relevant Hungarian laws as the condition of acting as a trader, and MMTS II Examination, or
- c) any examinations in addition to the above required as a condition to act as an options market trader on any exchanges of the European Union and MMTS II Examination.

C Commodities Section

1. Commodities Section

- a) Special examination organised by the Budapest Commodity Exchange before 1th November 2005 and MMTS II Examination, or
- b) Commodity Exchange Examination organised by the Exchange before 28th February 2011 and MMTS II Examination, or
- c) Stock Exchange, Futures and Options Examinations organised by the Central European Training Foundation for Brokers, and MMTS II Examination.

2. The content of the examinations organised by the Exchange is decided by the Board of Directors in a Board resolution.

3. Regarding the examinations organised by the Exchange, the CEO decides on the rules regulating training and examinations in a CEO decision.

**Annex 2
Data to Be Provided by Exchange Members**

Reported Content	After information is generated	After approval / rejection by Supervision	
a) Suspension or withdrawal of a license by the Supervision for operating a business in the provision of investment or Commodity Exchange services or auxiliary investment services		X	
b) Changes in the person of exchange traders	X		
c) Changes in corporate data: company name, head office location, mailing address, phone and facsimile number, contact person, or e-mail address	X		
d) Launching or termination of liquidation, bankruptcy, or final settlement procedures	X		
e) Any case of conflict of interest and the termination thereof	X		
f) A fall of registered equity below the level of the minimum registered capital required by the CMA	X		
g) If the regular orders by customers for transfer, remittance or cash disbursement that were not performed by second day after falling due, including an explanation of its reason	X		
h) Suspension of the trading licence of a Sub-Clearing Member by the General Clearing Member performing clearing for the given Sub-Clearing Member (Reporter: General Clearing Member)	X		