



## **Parameters of the CSD Clearing Fund**

Version 2, effective as of 29 March 2021

## Parameters of the CSD Clearing Fund

### Article 1

#### General Provisions

1. In accordance with the Settlement System Rules UNIVYC (hereinafter the “**Settlement Rules**”), this regulation issued by Centrální depozitář cenných papírů, a.s. (hereinafter the “**Central Depository**”) regulates the initial amount of the deposit of a clearing participant in the CSD Clearing Fund (hereinafter the “**Fund**”) and the values of the coefficients used for the calculation of other property deposits in the fund. This regulation further specifies the procedure for the application of measures for clearing participants who fail to top up their deposits in the case that a clearing participant falls into arrears on any payments relating to the settlement of exchange trades or if the settlement of a clearing participant’s exchange trade is cancelled by the Central Depository.
2. The measures according to this regulation are approved by CEO, in case of absence in in urgent cases an authorized deputy.

### Article 2

#### Initial Deposit

1. The clearing participant’s initial deposit (hereinafter the “**Initial Deposit**”) to the Fund according to Title I of the Specific Provisions of the Settlement Rules is set at CZK 1,000,000.
2. If the circumstances specified in Article 3 (2) of this Regulation occur, the clearing participant’s Initial Deposit in the Fund will be tripled for one month.
3. If the circumstances specified in Article 3 (3) of this Regulation occur, the clearing participant’s Initial Deposit in the Fund will be quadrupled for one month.
4. If the circumstances specified in Article 3 (4) of this Regulation occur, the one-month period shall recommence as of the date on which the settlement of a trade is cancelled again or the clearing participant falls into arrears in the settlement of the respective obligation. The Initial Deposit in the Fund shall continue to equal the value specified in paragraph 3 of this Article for the entire specified period.
5. If the clearing participant fails to pay the contribution to the Fund, the CEO of the Central Depository will increase the participant’s Initial Deposit to the Fund by up to four times for a period of six months.
6. Should the clearing participant fall into arrears again on the payment of a contribution during a period of one year following the application of the measures according to paragraph 5 of this Article, the CEO of the Central Depository will increase the participant’s Initial Deposit to the Fund by up to eight times for a period of 6 months.
7. If the clearing participant falls into arrears again on the payment of a contribution to the Fund during the period in which a measure according to paragraph 6 is in effect, the six-month period shall recommence as of the date of the participant falls into arrears. The clearing participant’s Initial Deposit in the Fund shall be increased to the value specified in paragraph 6 of this Article during the entire specified period.
8. The CEO of the Central Depository shall inform the CEO of the Exchange of the measures adopted according to paragraphs 2 to 6 of this Article.

### Article 3

#### Difference in Price of Substitute Trade

Maximum difference in the price offers of trading members from the exchange rate of book-entry securities, valid at the moment the acceptance of these offers is closed, according to Art. 38 par. 11 of Settlement Rule is set as 20 %.

### Article 4

#### Coefficient of Share from Exchange Rate Differences

1. The K3 coefficient for the calculation of the clearing participant’s deposit in the Fund according to Article 45 (3) of the Settlement Rules is set at the value of 1.

2. If the clearing participant falls into arrears on any payments arising from the settlement of exchange trades, or if the settlement of their trades is cancelled owing to insolvency or failure to submit the security, and provided that this is not the first such case during the past twenty-four months, the CEO of the Central Depository shall increase the clearing participant's K3 coefficient to 1.2 for a period of one month.
3. If another event involving the cancellation of a trade settlement occurs or the clearing participant falls into arrears with a payment during the period of six months following the application of the measure according to paragraph 2 of this Article, the CEO of the Central Depository will increase the clearing participant's K3 coefficient to 1.5 for a period of one month.
4. If another event involving the cancellation of a trade settlement occurs or the clearing participant falls into arrears with a payment during the valid period of a measure according to paragraph 3, the one-month period shall recommence as of the date on which the settlement of a trade is cancelled again or the clearing participant falls into arrears on the settlement of the respective obligation. The K3 coefficient shall continue to equal the value specified in paragraph 3 of this Article during the entire specified period.
5. The CEO of the Central Depository shall inform the CEO of the Exchange of the measures adopted according to paragraphs 2, 3 and 4 of this Article.

## Article 5 Open Position Risk Coefficient

1. The K5 coefficient for the calculation of the clearing participant's deposit in the Fund according to Article 45 (3) of the Settlement Rules shall be set out according to the following table:

Group	Type of security	K5 coefficient
1 – Investment securities traded with the market makers' support	Equities – Prime Market	0.01
2 – Investment securities traded without the market makers' support	Equities outside the Prime Market, non-leverage certificates and other non-leverage investment instruments	0.02
3 – Derivative investment securities	Leverage certificates and warrants	0.03

2. In cases falling under paragraph 2 of the previous Article, the clearing participant's K5 coefficient specified according to paragraph 1 of this Article shall, along with the increase of the K3 coefficient, be simultaneously increased by 0.04 for a period of one month.
3. In cases falling under paragraph 3 of the previous Article, the clearing participant's K5 coefficient specified according to paragraph 1 of this Article shall, along with the increase of the K3 coefficient, be simultaneously increased by 0.08 for a period of one month.
4. If the circumstances specified in paragraph 4 of previous Article occur, the one-month period shall recommence as of the date on which the settlement of a trade is cancelled again or the clearing participant falls into arrears on the settlement of the respective obligation. The K5 coefficient shall continue to equal the value specified in paragraph 3 of this Article during the entire specified period.
5. The CEO of the Central Depository shall inform the CEO of the Exchange of the measures adopted according to paragraphs 2, 3 and 4 of this Article.

## Article 6 Effectiveness

This Regulation was approved by the Board of Directors of the Central Depository on 23 March 2021 and shall take effect as of 29 March 2021.