



Centrální depozitář cenných papírů, a.s.

Special Regime for Handling Rights Associated
with Dematerialised Securities



Article 1 Application of the Special Regime

This guideline regulates the special regime for handling rights associated with dematerialised securities (hereinafter the “**Special Regime**”) in situations when, as a consequence of the suspension of trade settlement (hereinafter the “**Suspension**”), concluded on the regulated markets of the Prague Stock Exchange (hereinafter the “**Stock Exchange**”) the buying Exchange member (hereinafter the “**Buyer**”) does not – for reasons on the side of the selling Exchange member (hereinafter the “**Seller**”) – acquire the rights or receive the services which would otherwise be acquired or received if the exchange trade in question had been settled in a due and timely manner, in accordance with the Settlement System Rules.

Article 2 Rights Associated with Dematerialised Securities

- (1) For the purpose of this guideline, rights associated with dematerialised securities mean each and every right of the owners of dematerialised securities established if the owner of the securities in question was the owner thereof as of the date on which the right was established (hereinafter the “**Right**”).
- (2) The following rights are subject to the Special Regime:
 - a) the right to the income from the dematerialised security, including the payment of the registered reduction of capital,
 - b) the right to the repayment of the nominal value of bonds,
 - c) the right to priority subscription to dematerialised securities,
 - d) the right to the free splitting of dematerialised securities.

Article 3 Conditions for Compensation for Rights

- (1) The compensation for rights based on the establishment of a claim for such compensation during the establishment or existence of the suspension shall be provided by the Central Securities Depository Prague (hereinafter the “**Central Securities Depository**”) in accordance with the settlement agreement between the Prague Stock Exchange and the Central Securities Depository.
- (2) The Central Securities Depository shall obtain the data needed for the settlement of compensation for rights from the information submitted by the issuers or the Stock Exchange, which obtains them from the issuers, on the basis of the regulations governing the admission of dematerialised securities to the Stock Exchange’s regulated markets.
- (3) Compensation for income requires a written application submitted by the Central Securities Depository participant representing the Buyer to be delivered to the Central Securities Depository. The application form can be downloaded from the Central Securities Depository’s website. Applications must be made not later than 10 business days following the first date of the payment (being granted) of the income.
- (4) Applications shall include especially the following:
 - a) the ISIN of the dematerialised securities,
 - b) the quantity of the dematerialised securities,
 - c) the transfer ID,
 - d) the record date,
 - e) the settlement date,
 - f) the payout date,
 - g) the asset account number;
 - h) the identifier of the entity in question.



- (5) The Buyer also becomes entitled to compensation if the suspension of the trade settlement was caused by the Buyer. If this is the case, the use of the Special Regime must be approved by the Seller in the corresponding written application form. The fees associated with the settlement of the compensation according to Article 7 shall, in such a case, be paid by the Buyer. In the absence of the Seller's consent to the application of the Special Regime, the Central Securities Depository shall inform the Buyer about the Seller's identification.

Article 4

Compensation for Financial Income and Instalments of the Bond Nominal Value

- (1) The amount of the compensation for income, payment of the share registered capital reduction and the instalments of the nominal value of bonds (hereinafter the **"Income"**) corresponds to the amount of the income paid by the issuers which the Buyer would have obtained if the suspension had not taken place, multiplied by the quantity of the dematerialised securities not delivered. The same amount is collected from the Seller.
- (2) The Central Securities Depository will transfer the amount of the Income from the Seller or the participant representing the Seller, reduced by 15%, which corresponds to the standard amount of the withholding tax. Whether or not the Seller has received any Income, and what withholding tax rate was charged, is not taken into account. Stock Exchange members shall apply any tax differences against each other upon the provision of the information concerning the identification of the counterparty by the Central Depository with the issuer or the payment agent.
- (3) The Central Securities Depository shall send the electronic information regarding the acquisition date and the amount of the compensation for Income to the contact e-mail addresses of the Seller and the Buyer, at least three days before the financial settlement order is placed with the CERTIS of the Czech National Bank (hereinafter the **"CERTIS"**), if the Income is paid in CZK. The financial settlement is executed in accordance with the Settlement System Rules. The compensation for Income is sent to the profit account if the Income is paid in CZK. If such an account does not exist, then the payment should be sent to the basic settlement account. The same account types are used by the Central Securities Depository to collect the Income compensation.
- (4) If the Income is paid in EUR or another foreign currency, the Central Securities Depository will inform the Seller about the amount of the Income, the payment date and the Buyer's account number which the Buyer declared in the application for the compensation for Rights to which the Income is to be transferred. The Buyer will provide the Central Securities Depository with information regarding the acceptance of the Income.
- (5) The orders under paragraphs 3 and 4 are placed by the dates in which the issuer executes the payment of the Income.

Article 5

Priority Subscription of Dematerialised Securities

- (1) The Central Securities Depository only arranges for the priority subscription to the dematerialised securities (hereinafter the **"Priority Subscription"**) upon the written request of the participant representing the Buyer, delivered to the Central Securities Depository no later than one day prior to the deadline for the application of the priority subscription. If the Central Securities Depository does not obtain such a written request by the given deadline, this shall be deemed the expression of the waiver of such a right.
- (2) The application pursuant to paragraph 1 shall specify the quantity of the requested dematerialised securities, which must not exceed the quantity to which the Buyer would have had the right to a priority subscription if the transaction settlement had not been suspended for reason on the Seller's side.
- (3) The Central Securities Depository shall inform the Seller electronically using the contact e-mail addresses about the quantity of dematerialised securities which will be requested for submission within the subscription procedure.



- (4) Whether or not the Seller was able to apply for the right to a Priority Subscription is not taken into account.
- (5) At the time when, pursuant to the issuer's information, the newly subscribed dematerialised securities are credited to the subscribers' accounts, the Central Securities Depository shall notify the Buyer and the Seller about the date when the compensation for the right shall be settled. On the specified day, the parties involved in the transaction are asked to enter an instruction regarding the transfer of the securities against payment in the Settlement System of the Central Securities Depository. The volume of the transfer will correspond to the subscription price for the Priority Subscription, multiplied by the quantity of the securities requested.
- (6) The settlement of the compensatory Priority Subscription runs in accordance with the Settlement Rules.
- (7) If, on the given date, the Seller fails to submit the dematerialised securities, the Central Securities Depository shall arrange for the substitute purchase of the dematerialised securities at the stock exchange via an authorised Stock Exchange member. If the Seller is unable to complete the purchase or if the newly subscribed securities cannot be purchased, the Central Securities Depository will proceed with the financial settlement. The financial settlement shall be based on the current Stock Exchange prices. If the dematerialised securities in question have no current Stock Exchange price, the current prices applicable on another organised market shall be applied. If it is impossible to determine a current price, the amount to be paid shall be determined on the basis of the issue value of the securities being subscribed to or the nominal value of the dematerialised securities.
- (8) The financial difference between the cost of the substitute purchase and the Priority Subscription price of the dematerialised securities, as well as all the costs incurred by the Central Securities Depository concerning the compensation for the right in question, shall be settled by the Seller.

Article 6

Free Splitting of Dematerialised Securities

The compensation for the right to a free splitting of dematerialised securities shall be adequately regulated by the regime according to Article 5, provided that there is no financial settlement of the supply of dematerialised securities.

Article 7

Fees

The fees for the compensation for the rights are regulated by the Central Depository Price List and the List of Tariffs for the Settlement of Material Costs.

Article 8

Effective Date

This regulation was approved in this wording by the Board of Directors of the Central Securities Depository Prague during its meeting held on 19th September 2017.