

OTC CLEARING REGISTRATION RULES of HUDEX Hungarian Derivative Energy Exchange Ltd.

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OTC CLEARING REGISTRATION RULES

Preamble

HUDEX Hungarian Derivative Energy Exchange Ltd. (**HUDEX** or **HUDEX Ltd.**) is a private company limited by shares, incorporated under the Hungarian Law with registered office located at 1134 Budapest, Dévai u. 26-28., Hungary and registered under the Company Registration number 01-10-049303.

HUDEX Ltd. holds a license to operate an exchange in Hungary on the base of the Capital Market Act. The license was issued by the Supervisory Authority on 11 December 2017 under the resolution number H-EN-III-483/2017.

HUDEX Ltd. offers OTC clearing registration services to HUDEX Members. The OTC Clearing Registration Rules contain the respective rules.

I. GENERAL PRINCIPLES

I.1. General Principles

I.1.2. Scope of the OTC Clearing Registration Rules

1. The scope of the OTC Clearing Registration Rules is to regulate the general operating rules of the OTC clearing service offered by HUDEX to HUDEX Members.

I.1.3. Persons bound by the OTC Clearing Registration Rules

1. These OTC Clearing Registration Rules are binding for the following persons and organizations:
 - a) HUDEX;
 - b) HUDEX Members;
 - c) Traders;
 - d) Clearing Houses;
 - e) OTC Brokers as users of the trading system of HUDEX.
2. Only HUDEX Members, having valid and effective membership agreement with HUDEX can register transactions for OTC clearing on the OTC clearing registration platform offered by HUDEX.
3. HUDEX Members accept this OTC Clearing Registration Rules by signing the Application Form for HUDEX Membership according to HUDEX Market Rules.
4. HUDEX Members, who are suspended or their trading license is suspended or limited according to HUDEX Rules and Regulations are not allowed to register transaction for OTC clearing.
5. A Trader, who is excluded from trading according to HUDEX Rules and Regulations is not allowed to register transactions for OTC clearing.

I.1.4. Rules and Regulations of HUDEX applicable to OTC Clearing Registration Rules

1. The following Rules and Regulations of HUDEX are applicable to OTC Clearing Registration Rules:
 - a) Market Rules:
 - 1) Limitation of liability of HUDEX I.1.6.
 - 2) Governing Law, Jurisdiction and Dispute Resolution I.1.7.
 - 3) Official Language/Announcements I.1.8.
 - 4) Definitions I.2.

- 5) Confidentiality II.3.1.2.
 - 6) Services providers and subcontractors II.3.1.3.
 - 7) Information provision on positions II.3.1.1.7
 - 8) Requirements for Technical Access II.5.
 - 9) Ownership of Data III.12.
 - 10) Trading Days and Opening Hours III.14.
 - 11) Clearing III.15.
 - 12) Specific rules for trading and market operation of the Power Segment IV.
 - 13) Specific rules for trading and market operation of the Natural Gas Segment V.
- b) Fees and Discounts
- c) Technical Requirements

I.1.5. General Rules

1. In case of any discrepancies between the HUDEX Rules and Regulations and the OTC Clearing Registration Rules the HUDEX Rules and Regulations shall prevail.
2. The OTC Clearing Registration Rules shall not create any obligation for the period prior to their entry into force. The OTC Clearing Registration Rules shall not enter into force before their publication on the HUDEX Website.
3. The OTC Clearing Registration Rules or changes to the OTC Clearing Registration Rules shall enter into force at the earliest on the calendar day following their publication on the HUDEX website, or on any other later date specified by HUDEX.
4. The OTC Clearing Registration Rules shall be published on the official HUDEX Website.
5. The OTC Clearing Registration Rules are adopted by the decision of the Board of Directors of HUDEX. The effective date of the OTC Clearing Registration Rules is specified by the decision of the Board of Directors of HUDEX.
6. The CEO of HUDEX shall be authorized to make decisions and instructions within the framework of the OTC Clearing Registration Rules in order to ensure the functioning of the OTC clearing registration service.
7. The Board of Directors of HUDEX has the power to remove any issues from the competence of the CEO by way of a separate Board of Directors resolution. In such case the particular issue will belong to the scope of authority of the Board of Directors until the Board of Directors returns the issue to the competence of the CEO.
8. The Board of Directors of HUDEX shall be authorized to decide on the appeals made against those resolutions of the CEO where an appeal is explicitly allowed.

9. HUDEX offers no reporting service according to REMIT and REMIT implementing regulation (EU) No 1348/2014 regarding the transaction registered by HUDEX Members for OTC clearing on the HUDEX OTC clearing registration platform (in the following: HUDEX OTC Clearing Registration Platform).

II. Rules for OTC clearing registration

II.1. General Rules

1. The OTC clearing registration is defined as the bilateral exchange of transactions concluded outside the HUDEX Market, but are subject to the Rules and Regulation of HUDEX as indicated in Section I.1.4. and are executed in compliance with these Rules and Regulation of HUDEX including the immediate processing by HUDEX after execution and the clearing by the Clearing House.
2. The Clearing House to whom a transaction is submitted for clearing is determined in the Market Rules of HUDEX.
3. Transactions for OTC clearing can be registered only by HUDEX Members.
4. HUDEX Members are allowed to assign the right of the submission of transactions to the HUDEX OTC Clearing Registration Platform on behalf of the HUDEX Member to a third party with whom HUDEX concluded a contract for that purpose (in the following: OTC Broker). The right of the assignment cannot relate to the confirmation of the transaction on behalf of the HUDEX Member.
5. OTC Brokers have limited access to HUDEX Trading System, they are only entitled to access the HUDEX OTC Clearing Registration Platform.
6. HUDEX market operator is only available to assist OTC transaction registration within the opening hours as defined in the Trading Calendar of HUDEX.
7. HUDEX will keep an OTC registered transaction private and confidential, but will publish a composite volume of OTC registered transaction to the market after the closure of the market.

II.2. Cleared Products

1. The submission of transactions for OTC clearing registration into HUDEX OTC Clearing Registration Platform requires mutual consent of the counterparties of the concerned transactions and is carried out subject to the conditions listed in these OTC Clearing Registration Rules.
2. Only transactions for Products and Contracts according to the actual Products List and Specifications of HUDEX can be submitted for OTC clearing registration by HUDEX Members.
3. Only transactions for Products and Contracts which are not expired can be submitted for OTC clearing registration by HUDEX Members.
4. Only OTC transactions within the meaning of these OTC Clearing Registration Rules is considered to exist if the HUDEX Members have agreed on the purchase and/or sale

of one of the Contracts defined in Section II.2.1. and II.2.2. and if the Price agreed meets the requirements in Section II.3.4. and II.3.5.

5. HUDEX Members can request the physical delivery for the OTC transactions according to the Market Rules of HUDEX.
6. The Clearing House or HUDEX has the right to send the net position of a HUDEX Member from futures Trades on HUDEX and from OTC clearing registered on the HUDEX OTC Clearing Registration Platform that has been traded for the same Delivery period.

II.3. Submission of registration

1. OTC transactions can be submitted into the HUDEX OTC Clearing Registration Platform either:
 - a) by one of the involved HUDEX Members,
 - b) through an OTC broker to whom the right of the submission was assigned.
2. A HUDEX Member or the persons defined in Section II.3.1. b) must provide the following transaction details to HUDEX:
 - a) the name of the buyer HUDEX Member, seller HUDEX Member and – if applicable – OTC Broker, including the trading accounts and the names of the Traders involved;
 - b) action type of the HUDEX Members (initiator/aggressor);
 - c) the name of the Product and Contract series;
 - d) the time and date of execution of the transaction;
 - e) the Price and volume of the transaction.
3. The involved HUDEX Members or the OTC Broker may request HUDEX via email to submit the OTC transaction.
4. Transactions will not be accepted for OTC clearing registration if the Price of the transaction is more than 30% lower/higher than the Settlement Price of the relevant Contract on the previous Trading Day. Furthermore the price of the OTC transaction must be within the OTC price range as defined by the Clearing House.
5. In case registration is submitted during the first Trading Day of a new Contract a transactions will not be accepted for OTC clearing registration if the price of the transaction is more than 50% lower/higher than the Settlement Price of the preceding Contract (i.e. Contract with directly preceding expiry from the same Product) on the previous Trading Day.
6. Submission of transactions for OTC clearing registration is possible during the opening hours on the Trading Days as indicated in the Trading Calendar of HUDEX.

7. During suspension of Trading and Halt of the Market in case of a technical problem according to the Market Rules of HUDEX no submission of transactions for OTC clearing is possible.

II.4. Confirmation of transaction

1. After a transaction is submitted to the OTC Clearing Registration Platform the affected HUDEX Members (i.e. the seller and the buyer) are asked for confirmation of the transaction. In this confirmation request the OTC transactions are expressly specified as off-market transaction since the OTC transactions are not Trades concluded on the HUDEX Market.
2. Transaction confirmation can be made within the Trading System of HUDEX or via the registered e-mail address of the Trader.
3. Such confirmation must be given immediately, but not later than thirty (30) minutes after the seller and buyer have received such a request from HUDEX irrespective of the eventual Halt of the Market in case of a technical problem or suspension of Trading.
4. The seller and the buyer can either accept or reject to confirm the OTC transaction.
5. If such confirmation is not granted by both the seller and the buyer during the opening hours on the given Trading Day the registration shall be deemed null and void.
6. The OTC clearing registration of an OTC transaction cannot be cancelled by the seller or the buyer after the confirmation was granted by both parties.
7. HUDEX cancels ex officio the confirmed OTC transactions which do not meet the requirements regarding the Price according to Section II.3.4. and II.3.5.
8. OTC transactions, which are submitted into the HUDEX OTC Clearing Registration Platform by HUDEX Members, are not anonymous for the respective parties to the contract in the OTC Registration Platform of HUDEX, except the case when the OTC transactions are submitted by OTC Brokers.

II.5. Clearing of OTC transactions

1. Upon receipt of the confirmation from the seller and the buyer, HUDEX will submit the confirmed transaction for clearing to the Clearing House.
2. If HUDEX discovers that transaction details as notified to HUDEX are not correct, or if the seller and/or buyer fail to confirm the transaction to HUDEX in time and the transaction does not respect OTC Clearing Registration Rules, then HUDEX will not accept the transaction and will not submit the transaction for clearing to the Clearing House. HUDEX will notify the parties of the transaction accordingly.
3. If the Price of the transaction is not within the price range set by the Clearing House, then the Clearing House may reject or decline, in its sole discretion, to register the

transaction until sufficient margin, as calculated by the Clearing House, has been deposited to the Clearing House by the relevant HUDEX Member(s).

4. If OTC transactions do not correspond to the specifications and requirements referred to in these OTC Clearing Registration Rules or in case a HUDEX Member does not fulfil the requirements for HUDEX membership, the Clearing House is entitled to reject the clearing of the submitted OTC transaction in a manner binding on both parties and on HUDEX. HUDEX shall not be liable for such decision of the Clearing House, and HUDEX Members shall accept and take the risk of such rejection of the clearing of entered OTC transactions by the Clearing House.
5. Upon entry of an OTC transaction with a valid price, confirmed by both parties, the Clearing Conditions of the Clearing House shall apply with regard to the contractual relationships between the Clearing House and the HUDEX Members involved in the OTC transactions and/ or their Clearing Members.
6. In addition, the terms and conditions of the Clearing Conditions in the respectively valid version of the Clearing House shall apply with regard to the settlement and provision of security for the OTC transactions entered.

II.6. Position reports

1. In order to comply with the rules set out in Sections 317/A and 317/B of the Capital Market Act and Commission Delegated Regulation (EU) 2017/591, HUDEX continuously monitors the open interests of the HUDEX Members and their clients in the affected Products based on the regular provision of information according to Section II.3.1.1.7. of the HUDEX Market Rules.
2. The HUDEX Member shall provide information according to Section II.3.1.1.7 of the HUDEX Market Rules and the respective CEO resolutions also on the transactions submitted for OTC clearing registration.