

CSDs: KELER (Hungary)

Date: 09 Jul 2009

SMI Markets: Hungary

CMIRR Markets: Hungary

## KELER System Developments

KELER has announced details of its planned system enhancements for Q3 2009, to include developments in the separation of clearing and settlement services for stock exchange transactions to comply with the system guidelines of the EU Code of Conduct on Clearing and Settlement, as follows:

- Separation of clearing agent and settlement agent functions, enabling clearing agents to settle on exchange transactions into their own accounts or the account of the settlement agent, therefore not requiring a settlement account with KELER;
- Separation of sub-clearing member's settlement, whereby on exchange positions will be recorded on the level of the sub-clearing members;
- Modification to the calculation of the Exchange Settlement Fund;
- The 'non performance' process will be reviewed, aiming to benefit the non-defaulting party, where a buy-in period may be agreed outside normal market practice;
- Automatic registration process for corporate actions and income payments upon disclosure of beneficial owner information when opening CSD sub-accounts;
- Change in the income payments and redemptions of Hungarian Government Bonds whereby KELER will become a paying agent instead the Government Debt Management Agency and will credit the CSD member account via the VIBER RTGS payment system;
- Improvements to the archiving process in the KID STP system to improve accessibility of data.

## CSD Risk Impact

### KELER (Hungary)

CSD Rating: A+

CSD Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA-

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = A+

Flash Impact = Positive

Impacted Risk Type: Financial Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = AA-

Flash Impact = On Watch

Impacted Risk Type: Asset Servicing Risk

Current Rating = A

Flash Impact = On Watch

The separation of clearing and settlement functions will mean introduction of regulated guidelines and transparency in order to comply with the code of conduct processes, and developments with the KID interface will ease access to data files. Although long term the initiatives are positive, the initial implementation of the functions may require additional resources, therefore Financial and Operational Risk will remain 'On Watch'.

The review of the 'non performance' process may improve buy-in procedures, Liquidity risk will therefore remain 'On Watch' for further developments.

The segregation of sub-clearing member's margins will allow more transparent monitoring of settlement collateral to be posted by underlying sub-clearing members; thus reducing the risk that underlying sub-clearing members are exposed to each other. Accordingly, the Counterparty Risk impact will be 'Positive'.

KELER will become a paying agent, taking responsibility from the Government Debt Management Agency. Whilst adopting the related risk, the service may be improved, therefore Asset Servicing Risk will also remain 'On Watch' for further developments.

## Market Information Impact

### Hungary

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

## Infrastructure Risk Ratings Impact

### Hungary

Market Rating: A

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = A+

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = A

Flash Impact = Positive

Impacted Risk Type: Financial Risk

Current Rating = A

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = A+

Flash Impact = Positive

Impacted Risk Type: Asset Servicing Risk

Current Rating = A-

Flash Impact = On Watch

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