

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

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## 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

### II.1.1. 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.2. Definitions

In addition to the definitions of the Market Rules the following definitions shall apply:

1.	Broker Trading System	The Broker Trading System/s on which automatically supported clearing solution exist for transactions.
2.	Clearing Link	The infrastructure which ensures automated procedure for clearing for transactions concluded on Broker Trading Systems.
3.	Mapping	Configuration of the Products, Contracts, Traders and OTC-only Traders in the Clearing Link.
4.	OTC Brokers	Companies specified in the OTC Brokers list, who operate Broker Trading System for OTC trading.
5.	OTC-only Trader	A person registered as OTC-only Trader according to this OTC Clearing Registration Rules, who is not admitted as Trader on HUDEX, but can conclude OTC STP transactions on Broker Trading Systems and OTC transactions on OTC Clearing Registration Platform.
6.	OTC Clearing Registration Platform	Platform offered by HUDEX for OTC clearing.
7.	STP (straight through processing)	Automatic process when a transaction with the specific conditions concluded on Broker Trading Systems will be sent to the Clearing House through HUDEX Trading System.
8.	Trayport	Operator of the Clearing Link.

### I.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;
  - f) OTC-only Traders
2. Only transactions of HUDEX Members, having valid and effective membership agreement with HUDEX can be registered for OTC clearing on the OTC Clearing Registration Platform offered by HUDEX or on the Broker Trading System.
  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 on the OTC Clearing Registration Platform or on the Broker Trading System.
  5. A Trader, who is excluded from trading according to HUDEX Rules and Regulations is not allowed to register transactions for OTC clearing on the OTC Clearing Registration Platform or on the Broker Trading System.

#### **I.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
2. The OTC Clearing Registration rules and regulations consist of all rules and regulations which regulate the relationship of the persons bound by this OTC Clearing Registration Rules, which include the followings besides the applicable law:
- a) these OTC Clearing Registration Rules
  - b) the rules defined in point I.4.1.
  - c) OTC-only Trader registration form
  - d) OTC Brokers list
  - e) resolutions adopted by the Board of Directors
  - f) resolutions adopted by the CEO.

## I.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 OTC-only Trader registration form and the OTC Brokers list are adopted by resolution of CEO of HUDEX. The effective date of them is specified in the CEO resolution.
7. 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.
8. 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.

9. 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.
10. 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.



## II. Rules for OTC clearing registration

### II.1. General Rules

1. The OTC clearing registration is defined as the bilateral transaction concluded outside the HUDEX Market, but are subject to the Rules and Regulation of HUDEX as indicated in Section I..4.1. and are executed in compliance with those Rules and Regulation of HUDEX including the immediate processing by HUDEX after execution of the transaction 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. HUDEX offers OTC clearing registration through Broker Trading Systems as defined in point II.3. and through OTC Clearing Registration Platform as defined in point II.4.
4. OTC Brokers have limited access to HUDEX Trading System, they are only entitled to access the HUDEX OTC Clearing Registration Platform.
5. HUDEX market operator is only available to assist OTC transaction registration within the opening hours as defined in the Trading Calendar of HUDEX.
6. 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. 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.
2. Only transactions for Products and Contracts which are not expired can be submitted for OTC clearing registration by HUDEX Members.
3. 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 through the processes defined for the Broker Trading Systems in point II.3 and OTC Clearing Registration Platform in point II.4 respectively.
4. HUDEX Members can request the physical delivery for the OTC transactions according to the Market Rules of HUDEX.
5. 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 and on Broker Trading Systems (STP) that has been traded for the same Delivery period.

## II.3. OTC Clearing registration on Broker Trading Systems (STP)

### II.3.1. Broker Trading Systems

1. HUDEX offers OTC clearing registration of transactions concluded on Broker Trading Systems, which is an automatic solution facilitated by the Trading System of HUDEX.
2. HUDEX accepts the Broker Trading Systems as specified in the OTC Brokers list through which transactions of HUDEX Members can be submitted for clearing.
3. HUDEX Members accepts if they conclude transactions on the Broker Trading Systems as specified in the OTC Brokers listlist with the purpose to clear the transaction on HUDEX, their transactions are transferred to HUDEX immediately after their conclusion and will be cleared according to this OTC Clearing Registration Rules.

### II.3.2. OTC-only Traders

1. HUDEX Members have to communicate to HUDEX its OTC-only Traders via sending back from one of the registered e-mail address the OTC-only Trader registration form or the information required there.
2. If a HUDEX Member misses to communicate to HUDEX its OTC-only Trader and the necessary information required under this OTC Clearing Registration Rules, the transactions initiated or concluded by the not registered OTC-only Trader cannot be concluded or cleared and HUDEX shall not be held liable for that.

### II.3.3. Conclusion of transactions

1. HUDEX Members submit their orders and conclude their transactions on the Broker Trading Systems. The Broker Trading System indicates in line with its rules for operation whether a transaction is concluded and immediately transmits to HUDEX for clearing.
2. HUDEX automatically transfers the received transactions respecting the requirements of Products and Contracts for clearing and does not examine whether the transactions transmitted via the Broker Trading Systems where concluded with the purpose of submission for clearing or not and HUDEX shall not be held liable for that.

### II.3.4. Clearing of transactions

1. HUDEX uses the Straight Through Processing ("STP") procedure of Trayport (Clearing Link) in order to ensure the automated procedure for clearing. Trayport takes care of setting up tradable Products and Contracts, all Mapping processes, including Trader Mapping and configuration of the Clearing Link. Trayport hosts a router that connects the Broker Trading Systems and forwards transactions to HUDEX.
2. The transactions concluded on Broker Trading Systems will be transmitted by the Clearing Link to HUDEX. HUDEX forwards the transmitted transactions immediately to the Clearing House for clearing.

3. HUDEX Members consent that all the necessary details of the HUDEX Members, Traders and OTC-only Traders for the clearing procedure including Mapping can be transmitted by HUDEX to Trayport and OTC Brokers.
4. The Clearing Link transmits the information referred to in points II.4.1.5. automatically to HUDEX.

### II.3.5. Cancellation of transactions

1. The cancellation of transactions can be initiated by HUDEX Member at the Broker Trading System.
2. In case the transaction was cancelled from the Broker Trading System, the OTC Broker sends the information about the cancellation via electronic way to HUDEX. HUDEX will not contact the contracting parties in order to confirm the cancellation. HUDEX cancels the transaction only upon the cancellation request of the OTC Broker.
3. After receiving the information on cancellation of transaction HUDEX immediately informs the Clearing House.

## II.4. OTC Clearing registration on OTC Clearing Registration Platform

### II.4.1. Submission of registration

1. HUDEX offers OTC clearing registration of transactions through OTC Clearing Registration Platform, which is a manual solution facilitated by the Trading System of HUDEX.
2. 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.
3. OTC transactions can be submitted into the HUDEX OTC Clearing Registration Platform through HUDEX market operator on behalf of the involved 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. This third party may also be an OTC Broker. The right of the assignment cannot relate to the confirmation of the transaction on behalf of the HUDEX Member. Confirmation of the OTC transaction can be performed in the Trading System or via e-mail from the Registered E-mail Address of the Trader / OTC-only Trader.
  - a)
5. A HUDEX Member or the OTC Broker 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/identification codes 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 conclusion of the transaction;
  - e) the price and volume of the transaction.
6. The involved HUDEX Members or the OTC Broker may request HUDEX via email to submit the OTC transaction.
  7. 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.
  8. 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.4.2. 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 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. OTC transactions, which are submitted into the HUDEX OTC Clearing Registration Platform by HUDEX Members, are not anonymous for the respective parties to the transaction in the OTC Clearing Registration Platform of HUDEX, except the case when the OTC transactions are submitted by OTC Brokers.

### II.4.3. 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.

### II.5. Common rules for clearing for transaction concluded via Broker Trading Systems and OTC Clearing Registration Platform

1. If the Price of the transaction is not within the price range set by the Clearing House, then the Clearing House may reject, 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).
2. 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.
3. 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.
4. 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. Default set up for OTC transactions for reporting purposes

#### II.6.1. General rules

1. Due to reporting obligations of HUDEX prescribed by the Supervisory Authority HUDEX Members have to indicate some details of OTC cleared transactions.
2. In order to ease the reporting obligations of HUDEX Members HUDEX will apply default setups. In case HUDEX Members would like to have different setups as indicated in below points, they can do it on the OTC only trader registration form or they can contact HUDEX in order to modify the default setups.

### **II.6.2. Information on decision maker and execution maker**

1. HUDEX Members are obliged to indicate the decision maker and execution maker of OTC cleared transactions.
2. The default setup for the person responsible for execution is always the Trader/OTC-only Trader, who concluded the OTC transaction.
3. The default setup for the person responsible for decision is always the Trader/OTC-only Trader, who concluded the OTC transaction.
4. In case of a HUDEX Member would like to deviate from the default setups, HUDEX Member can provide information via the HUDEX application form or via the OTC-only Trader registration form.
5. The OTC-only Trader can indicate as a default set up a different person responsible for decision in the OTC-only Trader registration form.

### **II.6.3. Information on hedging and speculative purpose of transactions**

1. HUDEX Members are obliged to indicate the hedging or speculative purpose of their OTC clearing registered transactions.
2. HUDEX will use in case of the Traders the information given on the HUDEX application form and in case of the OTC-only Trader the information given on the OTC-only Trader registration form.
3. Please note that the default setup for transactions of OTC-only Traders (hedge/speculative) is the default setup given already by the HUDEX Member for its company on the HUDEX application form for the position reports and position limits.

### **II.6.4. Information on transactions concluded on behalf of the client**

1. HUDEX Members are obliged to indicate whether they concluded the transaction on behalf of a client or not.
2. The default setup for OTC cleared transactions is that they are not concluded on behalf of a client.
3. In case the HUDEX Member concludes transactions on behalf of a client and would like to have a different default set up, the HUDEX Member have to contact HUDEX in order to provide additional information and install a different setup.

### **II.6.5. Information a DEA (direct electronic access)**

1. HUDEX will report all OTC clearing registered transaction in a way that they were concluded without direct electronic access ensured to third parties as set forth in Section 4. (1) 41 of MiFID II.

## II.7. 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.
3. The default setup for transactions (hedge/speculative) is the default setup given already by the HUDEX Member for its company on the HUDEX application form for the position reports and position limits.

## II.8. Publication and visibility of transactions

1. HUDEX may publish OTC transactions on its website. HUDEX may publish aggregated data and individual transactions, as well. Individual transactions can only be published in an anonymized manner related to the parties of the transaction. HUDEX may publish the data regarding OTC transactions in a similar way it publishes for HUDEX exchange Trades.
2. HUDEX may make visible concluded OTC transactions in the Trading System. Individual transactions can only be visible in an anonymized manner related to the parties of the transaction. HUDEX may make visible OTC transactions in the Trading System in a similar way like for HUDEX exchange Trades.