



# SECURITIES LOANING RULES

## PART I - GENERAL PROVISIONS

### Article 1

#### Subject of the Provisions

These Securities Lending Rules (hereinafter referred to as the "Rules") provide for the conditions of lending and borrowing of securities and associated activities organised by UNIVYC, a. s., a joint stock company (hereinafter referred to as "Univyc"), for the purpose of securities trade settlement.

### Article 2

#### Definitions of Terms Used

1. For the purpose of the Rules, the following terms shall have the following meaning:
  - a) "Exchange" - Prague Stock Exchange;
  - b) "Univyc participant" - legal person with this status recognised according to the special regulation<sup>1</sup>;
  - c) "Securities lending and borrowing system" - (hereinafter referred to as the "loaning system") - system under which securities loaning is assured and associated activities are performed by Univyc for the purpose of securities trade settlements.

### Article 3

#### Organisation of the Securities Lending System

1. The Securities Lending System is organised in the manner in which securities lending (hereinafter referred to as "loaning") as well as management, administration, and operation of this system, are assured by Univyc in compliance with the Rules.
2. For the purpose of the Rules, "loaning" shall mean mediation / procurement of a loan of a lender's securities to a borrower (hereinafter referred to as "loan"), return of the securities (hereinafter referred to as "loan return"), and settlement of other rights and obligations of the loaning system participants, while these activities shall be effected in compliance with the Rules.

### Article 4

#### Subject of the Loaning

1. Subject of the loaning may include securities listed at the Prague Stock Exchange and transferable without limitation.
2. Univyc Settlement Committee (hereinafter referred to as the "Committee") shall decide on which securities referred to in paragraph (1) hereof will be accepted to the loaning system (hereinafter referred to as "securities acceptance". The Committee shall also decide on disqualification of accepted securities and on their exclusion from the loaning system (hereinafter referred to as "securities exclusion").

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<sup>1</sup> Rules of Settlement System of UNIVYC, a.s.



3. The Committee's decisions made on either securities acceptance or exclusion are published in the Exchange Bulletin without unreasonable delay.
4. Procedure and eventual further particulars required for securities acceptance or exclusion, as well as the timing according to which securities of the specified issue become subject of loaning, shall be provided for in the relevant "Procedural Regulation to the Securities Lending Rules" (hereinafter referred to as the "Procedural Regulations").

#### Article 5

##### Participants in the Lending System

1. The Lending System participants are borrowers, lenders, and Univyc.
2. Lender is a Univyc participant accepted to the lending system and lending securities in its own name in accordance with these Rules. Lender may be also a person that is not a participant of Univyc, provided that the scope and range of rights and duties under the lending system were contractually determined for such person at the date of the person's acceptance to the lending system.
3. Borrower is a Univyc participant accepted to the lending system and borrowing securities in its own name in accordance with these Rules.

## PART II - ADMINISTRATION, MANAGEMENT, AND OPERATION OF THE SYSTEM

#### Article 6

##### Securities Earmarking Contract

1. In order to assure disposition of securities needed for the lending system, Univyc and Lender shall make a securities earmarking contract (hereinafter referred to as "Earmarking Contract"). The Earmarking Contract made with Lender shall constitute an indispensable requirement for inception of Lender's participation in the lending system.
2. The Earmarking Contract shall, in particular, provide for securities earmarking conditions and shall contain the authorisation good for Univyc to loan earmarked securities, as it shall other particulars specified in the Procedural Regulation.

#### Article 7

##### Securities Earmarking

1. Securities earmarking shall mean the depositing of Lender's securities to an agreed account which shall be done under the terms set in these Rules and in the Earmarking Contract.
2. Univyc undertakes to loan earmarked securities in compliance with the Rules, taking into account both needs of the market and capabilities of the lending system, while applying "equal treatment" principle for all of such Lenders.
3. For the duration of securities earmarking term, Univyc shall be authorised to register in its favour a temporary suspension of the right to dispose of the concerned securities.
4. Securities earmarking shall be effective for indefinite period.

#### Article 8

##### Securities Withdrawal

1. Securities withdrawal shall mean deletion from this system of securities recorded as earmarked for the lending system which shall consist in a complete renewal for the Lender of any and all of the rights of disposal attached to these securities.



2. Lender shall be authorised to ask Univyc for securities withdrawal without giving any reason. The manner in which a request for securities withdrawal is to be filed, particulars of such a request, as well as the deadline for withdrawal of the securities concerned, shall be provided for in the Procedural Regulation. Lender's request for securities withdrawal has the same effects as has withdrawal from Earmarking Contract, if Lender's interest in it is expressly demonstrated in a request for securities withdrawal.
3. Effective the day following the day of delivery of a request for securities withdrawal, Univyc shall not be authorised to assure any additional loans whose subject would be securities thus requested for and it shall be obliged to take any and all actions deemed necessary for the securities appropriate and early withdrawal.
4. For the time during which settlement of trades in securities is suspended, the deadline laid down in the Procedural Regulation in accordance with paragraph (2) hereof shall be interrupted.

#### Article 9

##### Suspension of Lending

1. Lender shall be authorised to ask Univyc to suspend lending of securities already earmarked by the former, but shall have to do it in the manner specified in the Procedural Regulation.
2. Lending suspension shall become effective on the day stated in the lending suspension request, with the day following its delivery date as the earliest.
3. From the effective moment of the lending suspension pursuant to paragraph (2) hereof, Univyc shall be no longer authorised to procure any additional loans the subject of which are securities stated in the lending suspension request. This shall apply without prejudice to Univyc's duty to assure loan returns.
4. Lending suspension may be only requested for a period not exceeding 30 (thirty) days.
5. Lending suspension shall have no effect on validity of the Earmarking Contract based on which the securities have been earmarked.

## PART III - LOAN PROVISION

#### Article 10

##### Lender's Basic Rights and Duties

1. Lender shall be obliged to earmark securities for the lending system in accordance with the Rules and the respective Earmarking Contract.
2. Lender shall have the right to ask for securities withdrawal and shall be entitled to a securities lending fee in accordance with the relevant provisions of the Rules.
3. In relation to Univyc, Lender shall be entitled to transfer of income from lent securities and or to amounts due on bonds or to a portion of any of their parts the Lender was entitled to for the loan duration term. Univyc's responsibility for transfer of such amounts shall be limited to the extent to what these were allowed for to be transferred from Borrower.
4. Lender shall have the right to request from Univyc that latter makes it possible for the former to exercise the rights attached to the earmarked securities, provided that the request for withdrawal was filed in time by the former. The Lender shall be exempt from this duty, provided it had made a different written arrangement with Univyc.
5. The condition of timely filing of the securities withdrawal request pursuant to paragraph (4) above shall be also deemed met by filing a lending suspension request. Univyc's responsibility for allowing the Lender to claim its rights attached to earmarked securities shall then be limited to the extent determined by the number of securities registered in the above-mentioned account on the first day following the lending suspension date.

## Article 11

### Borrower's Basic Rights and Duties

1. In accordance with these Rules, Borrower shall have the right for loan procurement and shall be entitled to yield on collateral.
2. Borrower shall be obliged, in particular:
  - a) to deposit a collateral (Article 17 of the Rules) for securities to be borrowed and to enable making adjustments in the collateral's amount, doing so under the conditions set in the Rules, unless the Borrower and Univyc have agreed otherwise,
  - b) to return borrowed securities on the loan return day or to do so upon Univyc's call, that is by the deadline set in the Procedural Regulation,
  - c) to pay securities lending fee,
  - d) to make it possible for Univyc to transfer to Lender all the income from borrowed securities and or amounts due on bonds or on a portion of any of their parts the Lender was entitled to at the time of the loan duration term, or to their payment in the course of an alternative delivery, as well as to separately transferable rights attached to the borrowed securities, while this shall be effected under the conditions set in the Procedural Regulation,
  - e) to inform Univyc, without unreasonable delay, about occurrence of any and all of the events and facts which might constitute a threat to the fulfilment of its duty pursuant to the Rules, the imposition of forced administration or declaration of its assets in bankruptcy, in particular.

## Article 12

### Automatic Loan<sup>2</sup>

1. Automatic loan is a transfer of Lender's securities to Borrower from the account in which the securities have been earmarked in accordance with the Rules for the purpose of execution of a due settlement of the Borrower's concluded exchange trade.
2. Univyc's obligation to procure automatic loan is not tied to any previous request of Borrower, and the loan shall be procured on "time priority" principle.
3. The Procedural Regulation shall also provide for additional conditions applicable to automatic loan procurement; it will set, in particular, the types of exchange trades which are subject to automatic loan regime.

## Article 13

### Booked Loan

1. Booked loan is a transfer of Lender's securities to Borrower from the account in which the securities have been earmarked in accordance with both the Rules and loan booking (hereinafter referred to as "booking").
2. Booking is Borrower's binding request for its borrowing of a set number of earmarked securities on the day stated in the booking as the loan granted date.
3. Booking may be only requested by Borrower expressly authorised for that by the Committee at the acceptance of the former to the loaning system in accordance with Article 24 of the Rules.
4. The Procedural Regulation shall determine both the booking particulars and way in which this can be effected.

## Article 14

### Prolongation of a Booked Loan

1. Borrower shall have the right to ask Univyc for prolongation of a booked loan.

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<sup>2</sup> *Effectiveness of this Article alike as of the connected provisions has been suspended*

2. Prolongation of a booked loan shall mean to shift the day identified in the booking as the loan return day.
3. Univyc shall have the right to reject Borrower's request for prolongation if due and timely withdrawal of Lender's securities is threatened or if loaning of the securities is suspended. Borrower shall be informed about rejection of prolongation without delay.
4. Prolongation of a booked loan shall remain unaffected the limitation of the loan's entire duration term. Booked loan may be also prolonged repeatedly.
5. The Procedural Regulation shall determine conditions and requirements for a booked loan prolongation request.

#### Article 15

##### Early Termination of a Booked Loan

1. Univyc shall be authorised to early terminate a booked loan in the case of a due and timely withdrawal of Lender's securities, provided that the purpose cannot be met otherwise.
2. Early termination of a booked loan has to be authorised by Univyc's Managing Director.
3. The Procedural Regulation shall determine conditions and requirements for early termination of a booked loan.

#### Article 16

##### Loan Duration Term

1. The period for which a loan shall be considered good and valid shall start to expire on the day on which securities making subject of the loan are written off from the account in which these have been earmarked (loan granted date) and shall end on the day when these are re-posted back to this account.
2. Loan duration term shall also end at the moment when Borrower, in line with the Procedural Regulations, gets in delay of either the loan return or collateral amount adjustment.
3. The Procedural Regulation shall determine the maximum allowable loan duration term.
4. For the time during which settlement of trades in securities is suspended, the loan duration term shall be interrupted.

#### Article 17

##### Collateral

1. Collateral shall represent a set amount of Borrower's monetary assets lodged as a guarantee to cover the securities to be borrowed.
2. Collateral shall be deposited by Borrower based on the relevant instruction for a transfer to be made to the Czech National Bank's Clearing Centre (hereinafter referred to as "CC CNB"). The instruction shall be given in accordance with the special regulation<sup>3</sup> to the special account administered by Univyc at the selected financial institution (hereinafter referred to as the „collateral account“). Finance deposited in the collateral account shall be evaluated by Univyc on the monetary market with respect to secure the rights for Borrower and Lender in process of loan return in harmony with the Rules.
3. Collateral amount shall consist of value represented by loaned securities plus a set extra-added amount. Value of the extra-added amount shall be determined by the Committee whose decision thereon is published in the Exchange Bulletin. The Procedural Regulation shall provide for both the method of calculation and adjustment of collateral.

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<sup>3</sup> Rules of Settlement System of UNIVYC, a.s.

4. During the loan duration term, Univyc shall perform daily computations of collateral amounts and, based on that and in accordance with Univyc's special regulation<sup>4</sup>, shall pass instructions for either debiting or crediting the account of the Borrower's clearing bank at CC CNB.
5. If, on the loan granted day, Borrower's account states insufficient cash for collateral lodging, Univyc shall not procure the loan.
6. Yields on collateral deposited in the collateral account shall be paid by Univyc to Borrower on a monthly basis, in accordance with the Procedural Regulation.

#### Article 18

##### Securities Borrowing Fee

1. For the loan duration term, Borrower shall be obliged to pay Univyc a securities borrowing fee which shall be transferred within the framework of fees settlement at CC CNB.
2. Amount and maturity of a securities borrowing fee are set in the Procedural Regulation. The securities borrowing fee shall be calculated on a daily basis.
3. In the case where Borrower faces a delay in payment of a securities borrowing fee, it shall lose the right for procurement of an additional loan until the due amount of the securities borrowing fee, increased by interest for the delay, charged to Univyc by the bank, in which the given account is registered.

#### Article 19

##### Lender's Fee

1. For the duration of both loan term and alternative performance, Lender, in its relation to Univyc, shall be entitled to a securities lending fee which shall be transferred by Univyc on the account stated by the Lender in the Agreement on Reservation of Securities.
2. Amount and maturity of Lender's fee are set in the Procedural Regulation.

## PART IV - RETURN OF A LOAN

#### Article 20

##### Return of a Loan

1. Borrower shall either be obliged to return the borrowed securities on the set day, that is in accordance with the Securities Lending Schedule<sup>5</sup>, or on the day stated under the respective booking as the loan return date.
2. Borrower's obligation to return borrowed securities shall be deemed met at the moment when the securities are posted to the account in which these were earmarked; this shall be done immediately once these securities have been written off from the account specified by the Borrower. The Procedural Regulation may define additional cases when a loan can be qualified as returned.
3. Once the obligation referred to in paragraph (2) hereof is met, an entitlement shall incept for Borrower, based on which collateral will be returned back to it at the amount deposited by the Borrower to its collateral account and this amount shall be transferred to the Borrower by Univyc the same day.
4. The Procedural Regulation defines both the procedure and requirements for return of borrowed securities.

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<sup>4</sup> *Rules of Settlement System of UNIVYC, a.s.*

<sup>5</sup> *Annex to the Procedural Regulation relating to the Rules*



## Article 21

### Borrower's Delay

1. In the case where Borrower is in delay of either a securities return or collateral adjustment, the Borrower shall:
  - a) be obliged to pay a sanction penalty, eventually an extra fine,
  - b) lose its entitlement to the return of the borrowed securities,
  - c) lose its entitlement to the return of collateral or its part; or be obliged to complete the collateral pursuant to the real value of guaranteed alternative delivery according to the Article 14 of the Procedural Regulation,
  - d) lose its right for procurement of an additional loan until alternate performance is completed.
2. In justified cases, General Director of Univyc shall be authorised to submit to Univyc's Board of Directors a proposal for an increase in the penalty to be imposed pursuant to Article 22 of these Rules. At its next meeting, the Univyc's Board of Directors shall decide whether the Borrower shall be obliged to pay the increased penalty.
3. In justified cases, General Director of Univyc shall be authorised to decide and approve prolongation of the period during which the Borrower referred to in paragraph (1), item d) hereof, shall lose the right for procurement of an additional loan until the matter is decided by Univyc's Board of Directors.
4. In the event that the situation referred to in paragraph (1) hereof occurs, Univyc shall be obliged to proceed in compliance with the Procedural Regulation in order to procure for Lender securities alternative for those not returned. If the securities cannot be procured for the Lender in that way, Univyc shall be obliged to procure a financial compensation for the Lender in accordance with the Procedural Regulation.
5. Borrower facing a delay shall be obliged to pay to Univyc the sanction penalty pursuant to the Article 22 of the Rules. The Borrower shall be responsible for any damage incurred to Univyc in the amount exceeding reimbursed sanction penalty.
6. Borrower facing a delay shall be obliged to pay to the Lender for the prospective damage in the amount exceeding collateral of the Lender.

## Article 22

### Sanction Penalty

1. In the case where the Borrower referred to in Article 21, paragraph (1) hereof, is in delay, the Borrower shall be obliged to pay Univyc the sanction penalty, eventually an extra increased penalty which shall be transferred in harmony with Rules Governing Univyc Fees.
2. Both the sanction penalty, eventually extra-penalty associated therewith, shall be a single (onetime) payment with the amount and maturity set in the Procedural Regulation.

## PART V -COMMON AND CLOSING PROVISIONS

## Article 23

### Loaning Limits

1. Univyc shall be obliged to assure that all of the limits set for the loaning system are properly observed, especially the limit set as the maximum allowable volume for securities of one single issue earmarked for loaning (per issue limit).
2. Borrower shall not be allowed to exceed the maximum allowable limit for volume of securities loaned to one single Borrower (total limit per loan).

3. Amounts for the limits shall be fixed by the Committee's decision promptly published in the Exchange Bulletin.
4. The method to be used for both determination of the limits and or imposition of any other restrictions applicable to the loaning system are specified in the Procedural Regulation.

#### Article 24

##### Inception of Participation in the Loaning System

1. Univyc participants, eventually other persons pursuant to Article 5, paragraph (2) hereof, may become participants in the loaning system on the basis of the relevant application. A special regulation may determine that, for Borrowers using the automatic loan regime, their participation may also incept in a way different from that mentioned in the preceding sentence.
2. Admission to the loaning system shall be subject to the Committee's decision which has to be made no later than 30 days from delivery of the respective application. Participation in the loaning system shall be created for an indefinite period.
3. Lender's participation in the loaning system shall be effective on the day on which the Earmarking Contract pursuant to Article 6 of the Rules is made, while this shall be preceded by the relevant decision on the Lender's admission.
4. Borrower's participation in the loaning system shall be effective on the day set in the Committee's decision on admission of the respective Univyc participant to the loaning system, eventually on the day specified in the special regulation referred to in paragraph (1) hereof.
5. The Procedural Regulation shall provide for the particulars of the application referred to in paragraph (1) hereof, eventually other conditions and requirements applicable to the participation, as it also shall for the decision-making on the admission.

#### Article 25

##### Lapse of Borrower's Participation in the Loaning System

1. The Committee has been authorised to make decisions on expulsion of Borrowers from the loaning system, provided that the Borrower has:
  - a) failed to meet the conditions and requirements set for participation in the loaning system,
  - b) violated its obligations (duties) implying from the Rules either repeatedly or in a grave manner,
  - c) either misused its position in contradiction with the loaning system's purpose or has threatened security of other participants in the loaning system.
2. Based on the facts referred to in paragraph (1) hereof, Managing Director of Univyc shall be authorised to decide, with immediate effectiveness, on suspension of Borrower's participation in the loaning system which will be good till the next meeting of the Committee which will confirm that decision and will either exclude the Borrower or cancel the decision. The decision made by Managing Director of Univyc on suspension of a participation in the loaning system shall be communicated to the respective Borrower without unreasonable delay.
3. A written decision on exclusion from the loaning system shall be delivered to the concerned Borrower without unreasonable delay, while it has to state the proper reasoning. This decision shall enter into effect on the day stated therein.
4. Based on the facts specified under paragraph (1) hereof, the Committee shall be authorised to submit to the Univyc Board of Directors a proposal for termination of the Borrower's Univyc participation. The Committee shall promptly inform the Participation Committee of the Prague Stock Exchange about such proposal, giving also the reason for the action.
5. Borrower shall have the right to terminate its participation in the loaning system. It shall do so in a written statement addressed to Managing Director of Univyc, while no reasoning shall be required. The Borrower's participation will lapse on the day following the day on which such statement was delivered.



6. A lapse of Borrower's participation in the loaning system shall be effective without prejudice to its existing rights and obligations created in connection with its borrowing. Any and all of such rights and or obligations shall have to be settled in accordance with the Rules.

## Article 26

### Lapse of Lender's Participation in the Loaning System

1. The Committee has been authorised to decide on expulsion of Lender from the loaning system, provided that:
  - a) the Lender has failed to meet the conditions and requirements set for participation in the loaning system,
  - b) the Lender has violated its obligations implying from the Rules or from the Earmarking Contract either repeatedly or in a grave manner,
  - c) a suspension of Lender's rights to dispose of the securities has been registered as attached to the Lender's securities earmarked for the loaning system, eventually there has been another right of a third person registered in that connection, while such right fails to comply with the Rules.
2. A written decision on exclusion from the loaning system shall be delivered to the concerned Lender without unreasonable delay, while the reasoning for the action shall be required. Lender's participation in the loaning system shall lapse on the same day on which its earmarked securities were withdrawn.
3. Lender shall have the right to terminate its participation in the loaning system. It shall do so in a written statement addressed to Managing Director of Univyc, while no reasoning shall be required. The Lender's participation will also lapse on the same day on which will the latest Earmarking Contract.
4. From the moment of either the Committee's decision on Lender's exclusion or delivery of its statement on the lapsing of its participation in the loaning system, Univyc shall be obliged to take all the steps deemed necessary for the proper and timely withdrawal of its securities.
5. A lapse of Lender's participation in the loaning system shall be effective without prejudice to its existing rights and obligations created in connection with its lending. Any and all of such rights and or obligations shall have to be settled in accordance with the Rules.

## Article 27

### Claims

1. Both Borrowers and Lenders (hereinafter referred to as "claimants") shall have the right to file claims concerning Univyc's performance if they assume that Univyc's procedure did not comply with the Rules or other regulations providing for settlement of trades in securities and or with generally binding statutory regulations.
2. It shall be Claimant's duty to file claim with Univyc's Securities Lending Department no later than 30 (thirty) days following the day on which the subject event occurred. The Securities Lending Department of Univyc shall decide on the claim without unreasonable delay and shall notify the claimant of its decision.
3. In the case of claimant's disagreement with the decision made by the Univyc's Securities Lending Department, the claimant can file a written appeal against such decision. It shall do so with the Committee no later than 15 days from delivery of the appeal.
4. At its next meeting, the Committee shall make the ultimate decision on validity of the claim concerned and shall inform the claimant about its decision, doing so in writing and without unreasonable delay.
5. The special Univyc's regulation providing for claims'procedure<sup>6</sup> shall be used for claims'procedure administered pursuant to the Rules in case if it is explicitly stated in the Rules.

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<sup>6</sup> Claim Rules of Univyc

## Article 28

### Settlement of Disputes

Any disputes arising between the loaning system participants in connection with the loaning shall be settled through the Exchange Court of Arbitration pursuant to the respective regulations<sup>7</sup> in case of parties stipulation in the arbitration contract concluded in accordance with the special regulation<sup>8</sup>. In other cases the disputes are adjudicated by the respective court.

## Article 29

### Univyc's Responsibility and Obligations

1. Univyc shall be obliged to compensate other participants of the loaning system for any damage incurred to them due to violation of its obligations specified under these Rules.
2. Univyc shall not be liable for damage occurred due to violation of its duties, provided that such violation resulted consequently from circumstances excluding its liability.

## Article 30

### Protection of the Loaning System

1. Managing Director of Univyc has been authorised to temporarily interrupt procurement of loans in the case where participants in the system face threat of a big economic loss. Any such decision shall have to be confirmed by the Committee in the Exchange Bulletin within 3 days.
2. Those existing rights and obligations which were created for participants in the loaning system in connection with loaning shall remain unaffected by the action referred to in paragraph (1) hereof and shall have to be settled in accordance with the Rules.

## Article 31

### Closing Provisions

1. The Committee has been authorised to issue special regulations to the Rules as well as to provide their binding interpretation which is published in the Exchange Bulletin.
2. These Rules, including any eventual amendments or supplements thereto, as well as special regulations issued in compliance therewith, are binding for all participants in the loaning system.
3. This Regulation was approved by Univyc's Board of Directors on 6 December 2006 and entered into effect on 15 December 2006, excluding provisions of the Article 12 (Automatic Loan) and relating provisions whose effectiveness is suspended.

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<sup>7</sup> *Rules of the Exchange Arbitration Court and Statute of the Exchange Arbitration Court*

<sup>8</sup> *The Act No. 216/1994, Coll., on Arbitration Proceedings and on Exercice of Arbitration Awards*