



PROCEDURAL RULES GOVERNING THE SECURITIES LENDING AND BORROWING RULES

Article 1

Subject of the Rules

1. This Regulation has been issued to implement Univyc Rules Governing the Securities Lending & Borrowing (hereinafter referred to as the "Rules") and, as a follow-up to its provisions, to regulate securities lending & borrowing conditions and activities associated therewith as organised by Univyc, a. s. (a joint stock company, hereinafter referred to as "Univyc").
2. The Securities Lending & Borrowing Time Schedule (hereinafter referred to as "Time Schedule") makes an enclosure to this Regulation.

Article 2

Subject of the Lending & Borrowing (ref. to Article 4 of the Rules)

1. The Committee decides which securities will be accepted to the lending & borrowing system, doing so upon consideration of both prerequisites the particular security has to be able to meet the purpose of the lending & borrowing system and needs of the participants in the lending & borrowing system.
2. Application for acceptance of a security may be filed with the Committee by any participant in the lending system. Any member of the Committee may submit such application on behalf of Univyc.
3. Application for acceptance of a security is discussed in the Committee without undue delay and decided upon no later than 30 days of its delivery date. The decision is unappealable.
4. Letter of application for acceptance of a security includes the following details:
 - a) applicant's business name; if application is filed by a member of the Committee, the member's name and surname are to be stated;
 - b) name and ISIN of the securities that are to become object of the acceptance proceeding;
 - c) form and type of the security;
 - d) total volume (value) of the issue;
 - e) nominal value of the securities;
 - f) conditions of issue if a bond is the object of the acceptance proceeding.
5. The Committee's decision is announced to the applicant. The Committee's duty referred to in Article 4, clause 3 of the Rules remains unaffected thereby.
6. Securities of a reserved issue become lending & borrowing objects at the moment at which the first security of this issue has been reserved and stop to be the objects at the moment the last security of the issue has been withdrawn.
7. Securities replacing securities already accepted but no longer existing due to a merger, qualify for securities accepted to the lending & borrowing system.

8. The Committee may decide that securities of a certain issue will be excluded from the lending system (hereinafter referred to as "securities exclusion"), provided that:
 - a) securities of such issue no longer meet the conditions set by the Rules, other rules and statutory regulations;
 - b) the issuer's assets have been declared to be in bankruptcy or settlement has been authorised;
 - c) the purpose of the lending & borrowing system was not fulfilled by accepting securities of a particular issue;
 - d) loaning securities of a particular issue contradicts needs of the capital market participants
9. Exclusion of securities, without any further action, also occurs on the day of their deletion from statutory records to be maintained on securities¹.
10. On effective date of the Committee's decision on securities exclusion, Univyc is no longer authorised to provide additional borrowings the subject of which would be these securities and is obliged to assure their withdrawal within the period fixed in the Time Schedule as securities withdrawal period.
11. The following securities may become subject of securities lending & borrowing:
 - a) securities registered in the proprietary accounts kept in Securities Centre's (SC) records, or
 - b) securities registered in the proprietary accounts kept in Univyc's records.

Article 3

Concluding a Securities Reservation Agreement (ref. to Articles 6 and 7 of the Rules)

1. Proposal for conclusion of a securities reservation agreement (hereinafter referred to as "Draft Agreement") may be filed with Univyc Managing Director by any lender or person who, in accordance with the Rules, applies for acceptance to the lending & borrowing system as a lender. Managing Director of Univyc is may file the Draft Agreement on behalf of lenders.
2. The Draft Agreement is to be filed in writing, in two counterparts and shall include:
 - a) business name, registration (IČ) number, and registered office address of the proposer, or the last name, first name, academic degree, personal ID number and address of the proposer;
 - b) business name, registration (IČ) number, and registered office address of Univyc;
 - c) name and ISIN of securities that are subject matter of the Draft Agreement;
 - d) number of securities proposed for reservation from the given issue;
 - e) determination of the reservation date;
 - f) lender's power (of attorney) delegated to Univyc for loaning the reserved securities;
 - g) lender's statement that, at the reservation date, the given securities shall neither be burdened with any lien nor any other third person's right not implying from the Rules and that no such rights will be agreed upon for the duration of the reservation term fixed for these securities;
 - h) signature of the proposer.
3. In the Draft Agreement, the lender shall also indicate the account holder's identification number and number of the account(s) in which securities registered pursuant to Article 2, clause (11) will be reserved, including the distinction whether the securities are own or client's securities (activity type code).
4. The Draft Agreement filed by the lender shall be decided upon by Managing Director of Univyc, which will be done within 30 days following its delivery, and the Director shall also inform the lender about acceptance or rejection thereof. Unless the Draft Agreement states otherwise, the same acceptance or rejection period for the Draft Agreement filed by Univyc shall also apply to the lender.

¹ §91 of Act No. 256/2004 Coll., on Undertaking on the Capital Market



5. Accepted Draft Agreement is registered by Univyc under a particular reference number which Univyc will communicate to the lender.

Article 4

Securities Withdrawal (ref. to Article 8 of the Rules)

1. Letter of application for securities withdrawal is to be filed by particular lender of the Univyc's Securities Lending Department.
2. The Letter of application for securities withdrawal includes the following details:
 - a) the lender's business name or the last name, first name and academic degree of the lender;
 - b) the lender's code (code of the Univyc participant or code assigned by Univyc to the lender who is not a Univyc participant);
 - c) name and ISIN of the securities to be withdrawn;
 - d) number of securities to be withdrawn;
 - e) reference number of the Securities Reservation Agreement based on which these securities have been reserved;
 - f) account holder's identification number and number of account in the relevant records maintained pursuant to Article 2, clause (11);
 - g) distinction whether the securities are own or client's securities (activity type code);
 - h) date and signature of the authorised person according to the specimen signature.
3. Univyc is obliged to withdraw relevant securities within the securities withdrawal period fixed in the Time Schedule. This period shall start expiring on the day following the day on which the application for securities withdrawal was delivered to Univyc. At the proposal of either of the parties thereto it is possible to agree upon a recurrent expiration of this period.
4. If, by withdrawing of requested securities of a certain issue, the actual number of securities is reduced below the limit set according to Article 16, clause (3), Univyc shall also withdraw not requested securities of this issue. Univyc shall inform the lender about such action.

Article 5

Suspension of Loaning (ref. to Article 9 of the Rules)

1. Letter of application for suspension of loaning is to be filed by particular lender of the Univyc's Securities Lending Department.
2. Letter of application for suspension of loaning includes the following details:
 - a) the lender's business name or the last name, first name and academic degree of the lender;
 - b) the lender's code (code of the Univyc participant or code assigned by Univyc to the lender who is not a Univyc participant);
 - c) name and ISIN of the securities to be withdrawn;
 - d) reference number of the Securities Reservation Agreement based on which these securities have been reserved;
 - e) loaning suspension period;
 - f) account holder's identification number and number of account in the relevant records maintained pursuant to Article 2, clause (11);
 - g) distinction whether the securities are own or client's securities (activity type code);
 - h) date and signature of the authorised person according to the specimen signature.

Article 6

Automatic Borrowing (ref. to Article 12 of the Rules)

1. Univyc procures automatic borrowings to borrowers, doing so in accordance with "time priority" principle. Time priority means priority in ensuring automatic loan for borrower indicating earlier date on unfulfilled obligation to deliver securities.
2. The Univyc's duty to procure automatic borrowing does not apply to borrowers' obligations arising from concluded exchange trades which, in compliance with the Time Schedule set for Settlement of Trades², have already been assigned to intervention purchases³ or are preceding such assignment by one day.
3. The regime of automatic borrowing of securities applies to trades concluded under the fixed price trading, continual trading at a fixed price and continual trading at a variable price⁴ (trades in the Central Market), as well as trades concluded in the course of trading under SPAD⁵.

Article 7

Reservation of a Borrowing (ref. to Article 13 of the Rules)

1. Univyc is obliged to include in its records the reservation it has obtained at the time when the lending & borrowing system⁶ was opened and to secure such borrowing in accordance with the reservation.
2. The reservation includes the following details:
 - a) the borrower's code (code of the Univyc participant);
 - b) ISIN of the securities;
 - c) number of securities making subject of the reservation;
 - d) indication of the borrowing granting date;
 - e) indication of the borrowing refunding date;
 - f) account holder's identification number and number of account, in the relevant records maintained pursuant to Article 2, clause (11), to which the securities are to be transferred and from which they shall also be returned back;
 - g) determination of the reserved loan activity type code;
 - h) the reservation delivery date.
3. The reservation is sent by e-mail via data communication channels.
4. The borrower is authorised to exercise the reservation on the day immediately preceding the borrowing granting date.

Article 8

Prolongation of a Reserved Borrowing (ref. to Article 14 of the Rules)

1. The borrower's letter of application for prolongation of a reserved borrowing is to be filed by Univyc's Securities Lending & Borrowing Department within the prolongation period set in the Time Schedule. The prolongation period is tied to the date defined in the reservation/prolongation as the borrowing refunding date.
2. The letter of application for prolongation of a borrowing includes the following details:
 - a) the borrower's business name;
 - b) the borrower's code (code of the Univyc participant);
 - c) external number of the borrowing transfer;

² *Appendix 2 to Univyc Settlement Rules*

³ *Univyc Regulation "Intervention Purchases"*

⁴ *Exchange Regulation "Trading Rules"*

⁵ *Exchange Regulation "Trading Rules Applicable to the Market for Shares and Bonds Supporting System"*

⁶ *Securities Lending Time Schedule*



- d) account holder's identification number and number of the account to which the securities have been transferred;
- e) number of securities making subject of the borrowing;
- f) name and ISIN of the securities;
- g) determination of the reserved borrowing activity type code;
- h) the original borrowing refunding date;
- i) indication of date by which the reserved borrowing is to be prolonged (prolonged loan refunding date);
- j) borrowing prolongation application filing date;
- k) signature of the authorised person according to the specimen signature.

Article 9

Early Termination of a Reserved Borrowing (ref. to Article 15 of the Rules)

1. Early termination of a reserved borrowing enters into effect on the day of its approval by Univyc Managing Director.
2. The borrower is obliged to return back (refund) a reserved borrowing within the period set in the Time Schedule for the refunding of an early terminated borrowing. The period starts expiring on the first day following the day on which written notice of the early termination of the borrowing was delivered to the borrower. For the time for which settlement of trades in securities is interrupted, the period set for the refunding of an early terminated borrowing is stopped.
3. The written notice of an early termination of a borrowing includes the following details:
 - a) the borrower's business name;
 - b) external number of transfer of the early terminated reserved borrowing;
 - c) account holder's identification number and number of account, in the relevant records maintained pursuant to Article 2, clause (11), to which the securities have been transferred;
 - d) number of securities making subject of the borrowing;
 - e) name and ISIN of the securities;
 - f) determination of the reserved borrowing activity type code;
 - g) date and signature of Univyc Managing Director.
4. The borrower is obliged to advise Univyc's Securities Lending & Borrowing Department of the day on which the former will actually return the reserved borrowing in the course of the period for the refunding of the early terminated reserved borrowing and of any possible change in the details stated in the reservation.

Article 10

Collateral (ref. to Article 17 of the Rules)

1. For calculation of a collateral's amount for an automatic borrowing at the borrowing granting date, the value of the borrowed securities means the product of the number of the borrowed securities and their price from the respective concluded trade, and for reserved borrowings, it means the product of the number of the borrowed securities and the respective price quotation valid on the day on which the reserved borrowing was granted. For the purposes of the collateral calculation, the indexation value shall in both cases mean the percentage rate determined by the Committee and announced in the Exchange Bulletin.
2. On every following day of the borrowing, the amount of the collateral is recalculated by Univyc and the value of the borrowed securities means the product of the number of the borrowed securities and the respective price quotation valid on the day of the recalculation (collateral's recalculated amount).

3. The borrower is obliged to make it possible for the collateral amount to be adjusted to the recalculated level on the accounting day following of its recalculation day which is done on the basis of the transfer instruction sent to CNB CC.
4. To optimise the clearing operations, the Committee is authorised to set the maximum allowable variances of the recalculated collateral's amount from the collateral's amount deposited in the "collateral account". However, the amount of the lodged collateral may not be lower than the value set for the securities according to clause (2).
5. For clearing purposes, Univyc may add up collateral amounts for individual borrowings of one borrower and may work with them as with a single amount.
6. The interest represents the yields from the collateral. Interest paid to the borrower on the collateral is determined in the manner in which the sum of the interest received on the combined collateral amounts, reduced by administration costs, is divided among the borrowers in proportion to the amounts of the combined collateral amounts in the respective month. The interest received on the collateral falls due no later than the fifth day following the day on which all amounts of the interest received for the respective month have been credited.

Article 11

Securities Lending & Borrowing Fee (ref. to Article 18 of the Rules)

1. Securities lending & borrowing fee is set as the product of its basis and securities lending & borrowing tariff.
2. The basis of the securities lending & borrowing fee, which is daily recalculated during the term of the borrowing, is the value of the borrowed securities and this is determined as the product of the number of the borrowed securities and the respective price quotation valid on the recalculation day.
3. The amount of the securities borrowing fee is approved by the Committee. Any change in the tariff of the securities borrowing fee is published in the Exchange Bulletin at least once a month before its entering into effect.
4. Securities borrowing fee is payable against the transfer instruction sent to CNB CC no later than the fifth accounting day of the month following the month for which it falls due. Due become borrowings existing in the respective month and the repayment applies to the days of their existence in the month.

Article 12

Lender's Remuneration

1. Size of the lender's remuneration is fixed in the manner in which the sum of borrowing fees for securities of one issue, reduced by Univyc's commission set in the Tariff of Univyc Fees⁷, is distributed among the lenders in proportion to the number of securities reserved of this issue as approved for the lending in the respective month.
2. The lender's remuneration going with the respective calendar month falls due no later than the fifth accounting day of the next month.

Article 13

Borrowing Refunding (ref. to Article 20 of the Rules)

1. On the borrowing refunding date, borrower is obliged to return back any securities acquired as an automatic borrowing. For purposes of automatic borrowings, the borrowing refunding date means each day of the borrowing refunding period set in the Time Schedule. The period starts expiring on the day of unsuccessful settlement of the borrower's exchange trade.
2. On the day defined in the reservation as the borrowing refunding date, the borrower is obliged to return back the reserved loan.

⁷ Enclosure to the Regulation "Rules Governing Univyc Fees"



3. Borrower refunding an automatic borrowing shall give Univyc a borrowing refunding instruction. The way of giving such instruction is identical to that for a repeated settlement of a suspended trade.
4. Borrower refunding a reserved borrowing shall give no borrowing refunding instruction. Order for its refunding is given automatically on the basis of parameters included in the reservation.

Article 14

Facultative Compensation (ref. to Article 21 of the Rules)

1. Facultative compensation is a specific proceeding which Univyc is obliged to initiate on the day on which a borrower fell in the delay referred to in Article 21, clause (1) of the Rules.
2. Subject of a facultative compensation is to procure purchase of alternative securities or provide financial indemnity for purpose of satisfying the lender's rights in accordance with the Rules.
3. Facultative compensation is managed by Univyc which tries, through an authorised member of the Exchange, to procure alternative securities within a period of two consecutive exchange days following the day on which the borrower found itself in the default. At the beginning of the facultative compensation procedure, Univyc will address all Exchange members with whom Univyc has signed a Facultative Compensation Agreement, with respect to the given security title forming the subject of the facultative compensation and will ask them to submit their bids for the procurement of the securities concerned. Of the submitted bids, Univyc will select the most suitable one and will delegate the bidder to procure the alternative securities. If Univyc succeeds in obtaining the alternative securities, it shall be obliged to transfer them to the borrower immediately on the accounting day following the day on which the facultative compensation occurred.
4. If Univyc succeeds in obtaining the alternative securities at a lower value than the deposited collateral, Univyc will return the balance to the borrower.
5. If Univyc fails in procuring the purchase of the alternative securities, it shall provide the lender with a financial compensation by transferring the respective collateral no later than the accounting day following the day on which the securities forming the subject of the facultative compensation were not supplied to Univyc. The amount of such financial indemnity shall not be lower than the value of the lent securities at the day on which the attempt to purchase the alternative securities failed. For this purpose the value of securities shall mean the multiple of the number of the securities lent and the valid rate at the day on which Univyc failed to procure the alternative securities. Any negative balance between the amount of the deposited collateral and the value of the securities calculated according to the previous sentence will be settled by the borrower. This balance payment is payable on the basis of a transfer instruction sent to CNB ZC not later than on the accounting day following the day on which Univyc failed to procure the alternative securities.
6. Facultative compensation will last from the moment the borrower found itself in the delay until the alternative securities are transferred to lender or financial indemnity provided to it for the same.
7. In the case where, in the course of a facultative compensation, borrower acquires independent transferable rights from borrowed securities, it is obliged to transfer them to Univyc without compensation. If such rights cannot be transferred, the borrower shall provide financial compensation for them.

Article 15

Penalty and Its Increase (ref. to Article 22 of the Rules)

1. Penalty is set as the product of the basis and penalty tariff.
2. Increase of a penalty is determined as the product of the basis and increased penalty tariff.
3. The basis of the penalty or of its increase is the securities value determined as the product of the number of borrowed securities and the respective price quotation valid on the day defined as the reserved borrowing's refunding (returning) date or on the day which is the last day of the automatic borrowing refunding period.

4. Both the penalty tariff and increased penalty tariff are stated in the Tariff of Univyc Fees. Changes in the penalty tariff/its increase are published at least once a month before they enter into effect.
5. Penalty falls due upon the transfer instruction sent to CNB CC on the day immediately following the day on which the borrower found itself in the default.
6. Any increase in the penalty falls due upon the transfer instruction sent to CNB CC no later than the fifth accounting day following the day on which the borrower's duty to pay the penalty increase was confirmed by Univyc Board of Directors.

Article 16

Limits of and Restrictions to the Lending & Borrowing System (ref. to Article 23 and 16 of the Rules)

1. The limit set for the maximum number of securities reserved for lending from one single issue (per issue limit) is set as a share in the total number of securities of the given issue.
2. The maximum limit of the number of securities lent to one borrower (aggregated limit per borrowing) is determined as a ratio of all of those securities of one issue which the borrower has acquired in the form of borrowings at one day to the total number of securities of the given issue.
3. The Committee has the right to set the limit number for securities of one issue which are allowed to be reserved for the lending & borrowing system under one reservation agreement.
4. The maximum term of a reserved borrowing is 28 calendar days (four weeks). In the case where, after expiration of the agreed borrowing term, two more accounting days follow in the manner in which, within the two days, the borrowed securities are credited to the lender's account within 30 days from their debiting, the maximum term of the borrowing is shortened by relevant number of days in such a way, as to assure that this condition be met.
5. For purpose of stock events, the Committee is, upon its decision, authorised to adjust term of the borrowing and shall publish such decision in the Exchange Bulletin reasonably in advance.

Article 17

Participation in the Lending & Borrowing System (ref. to Article 24 of the Rules)

1. Application for acceptance to the lending & borrowing system (hereinafter referred to as "application for participation") may be filed by a Univyc member or by another legal entity (person) as well.
2. The application for participation is submitted in writing and includes the following details:
 - a) the applicant's business name, registration (IČ) number, and registered office address or the last name, first name, academic degree and address (applicable to lenders only);
 - b) specification whether the applicant is seeking licence for automatic borrowings or reserved borrowings or for lender's licence;
 - c) date of filing the application for participation, and the applicant's signature.
3. In the case where the applicant is not a member of Univyc and is a corporate entity, the enclosure of the application for participation includes also:
 - a) certificate of incorporation, i. e. the extract statement from the Companies Register, not issued earlier than 3 months ago;
 - b) duly audited final statement of accounts for the last calendar year.
4. The Committee decides on acceptance to the lending & borrowing system if the applicant possesses prerequisites allowing it to become participant therein, taking into account the needs of the lending & borrowing system. No legal claim for the acceptance to the lending & borrowing system exists and the Committee's decision is unappealable.
5. Acquisition of a licence for automatic borrowings does not exclude acquisition of a licence for reserved borrowings and vice versa. Participation in the lending & borrowing system commences on the day on which the applicant acquires the first of the licences.



6. Petition for exclusion of a participant (hereinafter referred to as "petition for exclusion") from the lending & borrowing system may be filed with the Committee by each participant in the lending & borrowing system and is to be produced in writing. Each member of the Committee is authorised to file petition for exclusion on behalf of Univyc.
7. Petition for exclusion includes the following details:
 - a) identification of the lending & borrowing system participant by which the petition is filed;
 - b) identification of the lending & borrowing system participant by which the exclusion is proposed;
 - c) justification of the petition for the exclusion.
8. Even before its decision on the petition for exclusion, the Committee may request the position of the lending & borrowing system participant by which the petition for exclusion was proposed. The position should include the facts that are to be stated in the justification of the petition for the exclusion.
9. If, at the moment of exclusion, a participant in the lending & borrowing system disposes of licences for both automatic and reserved borrowings, the exclusion shall result in loss of both of the two licences.

Article 18

Securities Stock Events

1. If yields on borrowed securities are to be paid to the borrower, Univyc is, without undue delay, obliged to give order for their transfer to the respective lender.
2. Provision of clause (1) shall reasonably apply if, during the term of the borrowing, either the owned amount of a bond or a part thereof are repaid.
3. If, during the term of a borrowing, registration of a security in the statutory records of securities⁸ is cancelled without compensation, the borrowing is deemed to have been returned on its registration cancellation date.
4. If, during the term of a borrowing, a merger occurs between securities⁹ constituting subject of the borrowing and securities of another issue, the borrower is obliged to return securities replacing the merged securities.
5. If, during the term of a borrowing, a stock splitting occurs¹⁰, the borrower is obliged to return the borrowed securities in identical face value and amount in which these were borrowed to it.
6. If, during the term of a borrowing, nominal value of securities is changed, the borrower is obliged to return the number of borrowed securities that is equal to the number of securities borrowed to it.
7. For purposes of these Rules, fungible securities are also the securities for which ISIN¹¹ was changed during the term of the borrowing.

Article 19

Final Provisions

1. The Committee approved the standardised versions of some documents (the applications in particular) pursuant to this Regulation and Rules. The documents will be used by participants in the lending & borrowing system.
2. This Regulation was approved by Univyc Settlement Committee on 12 December 2006 and enters into effect on 15 December 2006. The effectiveness of the provisions of this Regulation regarding automatic borrowings is suspended.

⁸ §91 of Act No. 256/2004 Coll., on. *Undertaking on the Capital Market*

⁹ *Exchange Regulation "Stock Events"*

¹⁰ *Exchange Regulation "Stock Events"*

¹¹ *Exchange Regulation "Stock Events"*

Appendix No. 1

Time Schedule

Enclosure to the Procedural Rules Governing the Securities Lending & Borrowing Rules

Securities withdrawal period	11 accounting days
Working hours of the Lending & Borrowing System	from 09:00 to 16:00
Prolongation period	From 1 to 5 accounting day
Automatic borrowing refunding period	6 accounting days
Refunding Period for an Early Terminated Borrowing	6 accounting days

For purposes of this Regulation, accounting day means the day on which trades in securities are settled in Univyc in accordance with the settlement calendar for the respective six months.