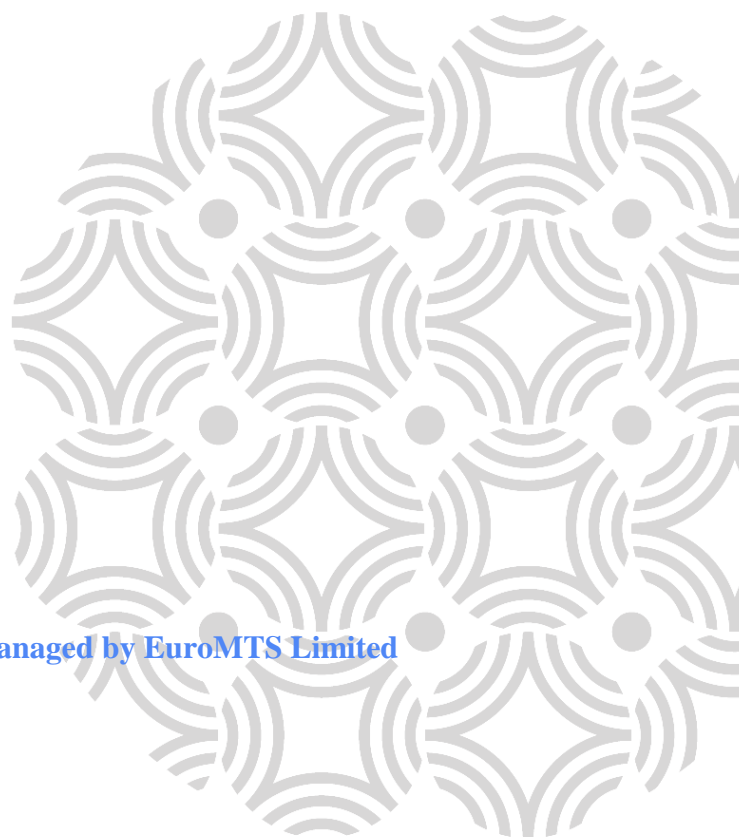




## MTS CZECH REPUBLIC

## MARKET RULES

Effective 1 July 2011



MTS Czech Republic is organised and managed by EuroMTS Limited



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### **SECTION 1 GENERAL PROVISIONS**

#### Article 1: Definitions

In these Rules the following expressions have the following meanings:

"Annex(es) "	means an (the) annex(es) and eventual future annexes of the present Rules completed and/or modified. They are an integral part of the Rules.
"Best Price"	has the meaning ascribed to it in Article 14.
"Board"	means the board of directors of the Company or a duly appointed person or committee of the board of directors of the Company.
"Committee"	means the duly appointed MTS Czech Republic committee of that name established by the Board in accordance with the present Rules and which operates according to the provisions of the document entitled "MTS Czech Republic Committee", as approved by the Board.
"Company" or "EuroMTS"	means EuroMTS Limited, with registered office in 10 Paternoster Square, London EC4M 7LS, United Kingdom, registered at the Companies House in England at the No. 3615752.
"De-Selected Securities"	means those Selected Securities which have been de-selected from trading on the System.
"EEA"	means Member States of the European Union, Iceland, Norway and Liechtenstein.
"Fair Market Value"	has the meaning ascribed to it in Annex L: "Trade Cancellation".
"Financial Instruments"	means debt securities issued by the Czech Republic acting through the MoF, including (where the context so permits) the component parts thereof that entitle the holder to future collection of interest (coupon) or that entitle the bearer, on maturity, to repayment of the principal and which are eligible for trading on the System.
"FSA"	means the Financial Services Authority of the United Kingdom (or any successor regulatory organisation).



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"Group"	in relation to an entity, shall mean that entity's 'group undertakings' (such term taking the meaning ascribed to it in section 1161 of the UK Companies Act 2006).
"Live Data"	means information relating to Selected Securities in respect of which not more than 900 seconds has elapsed from the time that such information was transmitted by the System to the System Participants.
"Mid-Price"	means the price for a Selected Security calculated by the System that a Participant may make an Order to buy or sell.
"Major Market Incident (MMI)"	means a situation or an incident as described in the present Rules.
"MTS Czech Republic"	means the division of EuroMTS as established for the trading of certain Financial Instruments pursuant to these Rules.
"MoF"	means the Ministry of Finance of the Czech Republic.
"Net Worth"	in relation to an entity, means the aggregate net worth of that entity and all the companies within its Group.
"Order"	means the firm and acceptance, whether whole or partial, of a Quote, transmitted via the System and processed by the System.
"Participant"	means an institution which is entered by the Company on its list of MTS Czech Republic Participants and which has not been deleted from such list nor has resigned pursuant to the Rules.
"Price"	in respect of the purchase or sale of a Selected Security traded on the System, means the amount representing the percentage of the nominal amount of the Selected Security as expressed in decimal places payable in respect of such purchase or sale, excluding accrued interest, which may also be expressed by reference to an interest rate.
"Primary Dealer"	means an official primary dealer as recognised by the MoF.



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"Quote"	means a firm offer to buy and sell a Selected Security via the System with specification of the quantity and the Price quoted and the Selected Security intended to be traded.
"Quoting Commitments"	means the commitment of a Participant to send Quotes on the System as described in the present Rules.
"Rules"	means these rules of MTS Czech Republic (including the Annexes) as may be amended or replaced from time to time by the Board with the prior agreement of the Committee following consultation with the MoF.
"Selected Securities"	means those Financial Instruments which have been selected for trading on the System as described in the present Rules.
"Spread"	means the arithmetic difference between the price of an offer to buy (Bid) and of a connected offer to sell (Ask) expressed as a percentage.
"System"	means the screen-based system known as "MTS Czech Republic" organised and administered by the Company for the trading of certain Financial Instruments.
"Trading Day"	means a day during which contracts may be executed on the System as defined annually by the Board after consultation with the MoF and the Committee and provided in advance to the Participants.
"Trading Hours"	means the hours of the Trading Day during which Selected Securities may be traded on the System.



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### Article 2: Rules

1. The object of the Rules is to regulate the organisation and operation of the System.
2. The Rules are made and may be amended or replaced from time to time by the Board with prior agreement of the Committee following consultation with the MoF.
3. Any substantial amendment to the Rules will be notified to Participants at least 10 (ten) Trading Days prior to the amendment taking effect by any means that the Board considers appropriate, provided that such notification shall at least include electronic notification through publication on the System and the Company's dedicated website.
4. Participants are required to comply with these Rules .
5. References herein to an Article or to an Annex shall mean an Article of, or an Annex to, the Rules respectively.
6. The Rules shall be governed by and construed in all respects in accordance with the laws of England and Wales.
7. Members of the Committee shall be representatives of the MoF, the Czech National Bank, the Company and the Participants, providing that they are also Primary Dealers. The Board shall appoint the Committee following consultation with the MoF. The Board shall not remove any Committee member without prior consultation with the MoF. The Committee shall have such power and authority (including as to the establishment of committees of MTS Czech Republic and the delegation of power and authority to such committees) as the Board may determine following consultation with the MoF.
8. The Board at all times shall have the authority to overrule any decision or action taken by the MoF or the Committee with respect to commercial, technological or regulatory matters notwithstanding the operation of these Rules or the Committee.
9. Where there is a conflict between the MoF and the Committee, the opinion of the MoF shall prevail subject to the condition that any such decisions must not contravene any regulatory requirements of the FSA and all other applicable laws, or technical requirements of the System.



### **SECTION II FINANCIAL INSTRUMENTS**

#### Article 3: Selection of Selected Securities

1. All Financial Instruments which meet the relevant criteria in Annex A (Selection Criteria) will automatically be selected for trading on the System as Selected Securities.
2. The Committee may at any time choose to select additional Financial Instruments which do not meet the relevant criteria in Annex A (Selection Criteria).
3. The minimum trading quantity for each Selected Security shall be determined by the Company from time to time, after consultation with the Committee and set out in Annex B (Minimum Quantities for Orders and Quotes). The Company shall communicate via e-mail any change in the minimum Order and Quote quantities contained in Annex B (Minimum Quantities for Orders and Quotes) with 5 (five) Trading Days prior notice of any change.

#### Article 4: Suspension of Selected Securities

1. The Board or the Committee may suspend a Selected Security with immediate effect if, in its opinion, in relation to that Selected Security, normal market conditions have ceased to apply.
2. The Board or the Committee may lift a suspension of a Selected Security imposed by it if, in its opinion, the cause of the suspension no longer applies.
3. Any suspension of a Financial Instrument admitted to the System may be implemented during opening hours and must be announced immediately to all Participants.

#### Article 5: De-Selection of Selected Securities

1. The Board, after consultation with the Committee, shall determine which (if any) Selected Securities are to be de-selected at a meeting of the Committee to be held no less frequently than once every six months, on the basis, among others, of criteria set out in Annex C (De-Selection Criteria).
2. Notwithstanding de-selection of a particular Selected Security, the Committee may request that Participants shall be obliged to continue to enter Quotes in respect of that De-Selected Security for a period of 10 (ten) Trading Days after the decision of de-selection.



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3. Any decision by the Board, after consultation with the Committee, to de-select a Selected Security shall be made public after Trading Hours and shall be announced to all Participants on the System before the commencement of trading on the next Trading Day.
4. Following the decision to de-select any Selected Securities, the Company shall give at least two weeks prior written notice of such de-selection to all Participants.

### SECTION III PARTICIPANTS

#### Article 6: Application to Participate in the System

1. An institution which, at the request of the Company, lodges with the Company a completed application in the form specified by the Company to participate in the System as a Participant shall be entered by the Company on the relevant list(s) of Participants provided it satisfies the Committee that:
  - (a) It is a European Union or non-European-Union bank authorised to perform the service envisaged in Article 4, Directive 2006/48/EC; or a European Union or non-European-Union investment firm authorised to perform the service envisaged Article 4, Directive 2004/39/EEC;
  - (b) it belongs, either directly or via an agent, to a clearing and settlement institution as specified in Annex M (Clearing Institutions), as updated by the Committee from time to time, and has suitable links with such institutions for the settlement of trades on the System;
  - (c) it is a fit and proper person to be a Participant (including, without prejudice to the generality thereof, that it has an adequate organisation to be a Participant); and
  - (d) it has a minimum Net Worth of EUR 30 million or Net Worth of EUR 30 million equivalent in other currency (such as CZK).
2. The Company will examine the application and reply within 8 (eight) days after the application has been received. After giving its favourable response, the Company sets the date of admission of the new Participant on the System.
3. The Company in its sole and absolute discretion, using non-discriminatory standards, may reject an application for admission, particularly where its acceptance could jeopardise the proper functioning of the System.



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4. The Company shall maintain lists of those institutions which are for the time being and from time to time Participants on the System.

### Article 7: Undertakings of Participants

1. Each Participant undertakes to the Company at all times until its deletion from such list or resignation pursuant to the Rules:
- (a) to maintain a Net Worth of at least EUR 30 million or Net Worth of EUR 30 million equivalent in other currency (such as CZK);
  - (b) to demonstrate at least once a year its continued compliance with the criteria applicable for entry on the relevant list of Participants. The Company may require the presentation of any reasonable data, information or document useful to this purpose, including certifications from auditing companies;
  - (c) to notify the Company, as soon as possible, of any interruption in trading due to a breakdown in the computer connection to the System;
  - (d) to notify the Company immediately if it ceases to meet any one or more of the criteria applicable for entry on the relevant list of Participants;
  - (e) to comply with the Rules and the established operating procedures of the System;
  - (f) to act with fairness and honesty;
  - (g) to act with due skill, care and diligence;
  - (h) to refrain from any act that may jeopardise the proper functioning of the System or undermine the integrity of trading on it;
  - (i) not to enter into trades on the System other than for proper trading purposes;
  - (j) to continue to belong to a clearing and settlement institution;
  - (k) to be responsible for the acts and omissions of its employees and agents and ensure those assigned to its trading activities on the System are competent and appropriately trained;



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- (l) (i) to keep confidential and not to disclose any confidential, proprietary and trade secret information or data supplied to or derived from the System (except in relation to a particular Participant, information relating to Quotes input on the System by such Participant) save (a) to members of the same Group only to the extent reasonably necessary for the performance of its obligations under these Rules and provided that any such companies shall be bound by obligations of confidentiality in relation to such information, or (b) to clients, attorneys, accountants, auditors and other supervisory and governmental, regulatory office or court having jurisdiction over it;  
  
(ii) that all rights, title and interest in, and to any work in any medium which incorporates or in the compilation of which there was used, any information or data entered by it on the System shall as between it and the Company be the property of the Company or its licensees, to grant to the Company the right to exploit the same and not to make any claim to any right, title or interest or to any payment in respect of the same;
- (m) to pay not later than the due date all fees payable to the Company for participation in, and trading on, the System;
- (n) to deal with the Company in an open and co-operative manner;
- (o) to fulfil all reporting and transparency requirements to which it is subject;
- (p) to have and maintain in its home State all necessary regulatory authorisations, approvals and consents for trading on the System;
- (q) notwithstanding suspension, deletion from the relevant list(s) of System Participants or resignation, to comply with any reasonable requirements of the Company or the MoF, which were duly approved and reported to System Participants in accordance with these Rules, with regard to the execution of any outstanding contract entered into by it on the System;
- (r) to safeguard passwords and other security credentials in accordance with the established operating procedures of the System and not to allow unauthorised access to the System;
- (s) to effect trades on the System in its own name and not to act for a third party save for a company in its Group; and
- (t) to effect timely settlement of each of its trades on the System in accordance with the relevant contract.

2. In addition, Participants undertake to the Company, on each Trading Day, to make Quotes on the System, for at least the minimum required number of hours as specified in Annex E (Trading Hours):



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- (a) in relation to each of the Selected Securities assigned to it from time to time by the Company pursuant to these Rules and to do so in compliance with Annex F (Quotation/Spread Obligations);
- (b) if requested by the Committee, to continue to send Quotes in respect of a De-Selected Security for a period of 10 (ten) Trading Days after the decision of de-selection in compliance with Annex F (Quotation/Spread Obligations), but with a maximum Spread of twice that specified in Annex F in respect of such De-Selected Security; and
- (c) for the avoidance of doubt, it is hereby specified that:
  - (i) Quoting Commitments shall not apply on those days which are not Trading Days;
  - (ii) Quoting Commitments shall not apply to a De-Selected Security, except as otherwise provided in article 7.2(b);
  - (iii) Quoting Commitments shall not apply to a Participant while it is suspended from trading or from the relevant list of Participants; and
  - (iv) after consultation with the Committee, the chairman of the Committee, if normal market conditions do not apply, may, at its discretion, ask the Company to:
    - (A) temporarily suspend the Quoting Commitments for one or more Participants or for all or part of the Financial Instruments;;
    - (B) temporarily amend any of the values in Annex F (Quotation/Spread Obligations); or
    - (C) introduce temporary alternative procedures for the evaluation of System Participants' quoting performance.

### Article 8: Allocation of Financial Instruments

1. The Company after consultation with the Committee shall, on the basis of the criteria in Annex G (Allocation of Financial Instruments), assign Selected Securities among the Participants and may, from time to time, change that assignment, but no more regularly than on a monthly basis.
2. The Company shall notify each System Participant as to the Financial Instruments allocated to it pursuant to these Rules not less than 2 (two) Trading Days prior to the commencement of the obligation to make Quotes in such Financial Instruments by electronic notification through publication on the System. System Participants



shall not be entitled to require information as to which Financial Instruments have been allocated to other System Participants.

### Article 9: Suspension of Participants

1. If, in relation to a particular Participant, the Company, after consultation with the MoF and the Committee where practicable, shall determine that any of the following circumstances applies, or that there are reasonable grounds for presuming that any of the following circumstances applies, it shall suspend that Participant from the relevant list of Participants with immediate effect. A Participant, which is suspended, shall not be permitted to make Quotes or Orders on the System, and any Quoting Commitments shall be similarly suspended. The Company after consultation with the MoF and the Committee may lift a suspension if it is satisfied the circumstances which gave rise to it no longer apply.
2. The said circumstances are:
  - (a) the System Participant ceases to meet any one or more of the criteria applicable for entry on the relevant list of System Participants;
  - (b) a resolution of the Committee is passed resolving that that System Participant be suspended from the relevant list of System Participants;
  - (c) a request for suspension is received from an agent through which the System Participant belongs to a clearing and settlement institution and to which the System Participant has given authority to make such request;
  - (d) a Participant commits a material breach of the Rules;
  - (e) a request for suspension is received from the MoF;
  - (f) a Participant (i) makes a voluntary arrangement with its creditors or becomes subject to an administration order; (ii) has a receiver appointed over any of its property or assets, or an encumbrancer takes possession; (iii) goes into liquidation; or (iv) takes or is subject to any similar action in any jurisdiction; or
  - (g) a Participant has been suspended from activity or from trading by the competent authorities, or such competent authority instructs the Company to suspend its trading on the System, or its relevant clearing and settlement institution advises the Company that it was has suspended the System Participant's account.



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3. Any suspension of a Participant, or lifting of a suspension, shall be notified as soon as reasonably practicable by the Company to all other Participants by such means as the Company considers appropriate, provided that such notification shall at least include electronic notification through publication on the System.
4. Suspension from a list of Participants shall have no effect on the rights and obligations of the System Participant in respect of contracts concluded on the System prior to the effective time of such suspension.
5. A Participant may not be sanctioned in the following cases:
  - (a) the Participant has indicated a serious incident or has given advanced warning of specific technical difficulties and has duly provided details;
  - (b) the Participant in question has demonstrated a good track record in the preceding months, particularly in terms of volume traded and/or in terms of most aggressive bid/ask during quotation times;
  - (c) extraordinary market conditions (including MMI) disrupted the normal market and the overall average performance is considerably lower than usual. In this case, requirements in terms of individual performance are reduced.

### Article 10: Removal from a list of Participants

1. If in relation to a particular Participant, the Board after consultation with the Committee shall determine that any of the following circumstances apply, the Board shall remove that System Participant from the list of Participants with immediate effect.
2. The said circumstances are:
  - (a) suspension from trading or the list of Participants for a period of 2 months;
  - (b) a material breach of the Rules; or
  - (c) a resolution of the Committee is passed unanimously (excluding any representative of the Participant in question,) resolving that such Participant be removed from the list of Participants.
3. Any removal from the list of a Participant shall be notified as soon as reasonably practicable by the Company to all other Participants by such means as the Company considers appropriate, provided that such notification shall at least include electronic notification through publication on the System.



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4. Removal from the list of Participants shall have no effect on the rights and obligations of the Participant in respect of contracts concluded on the System prior to the effective date of such removal.

### Article 11: Resignation of a Participant

1. A Participant may resign from the System on giving not less than 1 (one) month notice in writing to the Company and the MoF and shall apply from the date on which either the Company or the MoF receives the notice first.
2. Resignation from the System shall have no effect on the rights and obligations of the resigning Participant in respect of contracts concluded on the System prior to the effective date of such resignation.

## **SECTION IV TRADING**

### Article 12: General System operations

1. The Company will take all necessary measures to ensure the proper functioning of the System.
2. The Company shall determine the formats of the operative and informational computer screen "pages" of the System and may change the formats from time to time.
3. The Company shall promptly inform Participants of any of its actions that affect the operation of the System.

### Article 13. Suspension and postponing of operations

1. The Board or the MoF may, after consultation with the Committee, where practicable, suspend the operation of all or part of the System if the Board or the MoF determines that normal market conditions do not apply.
2. In carrying out the organisation and administration of the System, the Company may, among other things:
  - (a) for the purpose of improving the functioning of the System, postpone the start of trading for the entire System or for particular Financial Instruments or categories of Financial Instruments and with prior notice to Participants. Notwithstanding the foregoing, the Company shall use its best efforts to ensure that improvements in the functioning of the System will be made during days and hours that are neither Trading Days nor Trading Hours of the System;
  - (b) temporarily suspend trading for the entire System or for particular Financial Instruments or categories of Financial Instruments in case of serious technical malfunction or other MMI;



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- (c) require Participants to provide data and information, and the transmission of documents relevant to the proper functioning of the System as long as the information required is not covered by the applicable data protection law and cannot under any circumstance be disclosed to the Company.
- (d) for the sole purpose of verifying a Participant's correct use of the System, carry out inspections at its premises, no more than once every twelve months, during the System Participants' normal business hours and on not more than 10 (ten) Trading Days prior written notice. The Company will comply with Participants's reasonable requirements relating to the site security and confidentiality, in particular any Participant may request the Company to (i) confirm that the persons carrying out inspections are authorised to do so on its behalf or (ii) to issue a report describing the breach of Participants' internal rules by a representative of the Company during the inspection and to send a copy of that report to the Participant. The Company will keep confidential any information that it may acquire in connection with the inspection. Participants can refuse to provide any information being subject to banking secrecy.

### Article 14: Quotes and Orders

1. Quotes and Orders may be made on the System by a Participant that has not been suspended from trading.
2. Each Quote must be made in at least the relevant minimum Quote size set out in Annex B.
3. Quotes shall be formulated in accordance with the relevant quotation, spread and other obligations specified in Annex F (Quotation/Spread Obligations).
4. Quotes may be modified at any time but a Participant is obliged to conclude all contracts, at the Price quoted and up to the volume offered, for those Orders which have been confirmed by the System prior to reception of such modification.
5. The System shall order Quotes for spot contracts relating to each Selected Security according to the best price ("**Best Price**") and, subordinate to that, according to time of entry. At the end of each Trading Day, Quotes still registered in the System shall be automatically cancelled.
6. Participants may enter into the System Quotes for Selected Securities prior to the start of Trading Hours of the System, but such Quotes will not be displayed to other System Participants until the commencement of trading.

### Article 15: Major Market Incident (MMI)

1. "MMI" is a situation or an accident of a technical nature that from the point of view of the Company requires, in the interest of the System, a temporary modification of System operating procedures, a temporary suspension and/or a cancellation of operations in the System.



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2. To illustrate, the following situations could be considered by the Company as a MMI:
  - (a) the system has become inaccessible (“or down”) for technical reasons for one or more Participants during the Trading Hours;
  - (b) a system malfunction whereby one or more Participants are exposed to exceptional market risk (for example in the case of a fault in the display of Prices);
  - (c) the system security is no longer ensured or risks being affected by an imminent threat; and
  - (d) the Company is no longer able to ensure the full operation of the System.
3. The Company decides at its discretion whether a MMI has occurred and determines the date and the hour when the MMI commenced and when it ended. If the Company decides that a MMI has occurred it informs immediately the Participants and indicates the date and the hour when the MMI began.
4. In the same manner if the MMI is over, the Company informs immediately the Participants and indicates the date and the hour when the MMI ended.
5. If the Company decides that a MMI occurred it may also take the following decisions in the interest of the System:
  - (a) suspend Quoting Commitments for one or more Participants or for all or part of the Financial Instruments;
  - (b) suspend all or part of the trading on the System;
  - (c) delay the start of trading or extend Trading Hours beyond the normal close of market for all trading activity on the system or for certain Financial Instruments; or
  - (d) require the cancellation of certain transactions determined at its discretion after having heard, if it sees fit, the opinion of the concerned Participants. The cancellation can also be imposed on fulfilled transactions. To this end, the Company may, in the name of and on behalf of the Participant(s) concerned take the necessary measures concerning the Central Counterparty and the settlement process. The affected Participants are committed to make every effort in assisting the cancellation without delay.
6. All the decisions made by the Company in accordance with this Article must be immediately made known to all Participants and the Committee.



## **SECTION V CONTRACTS**

### Article 16 : Eligible Contracts

1. The Board after consultation with the Committee shall determine and shall specify in Annex D (Contracts) the types of contract by means of which each Selected Security may be traded on the System.
2. The Selected Securities may be traded on the System by Participants relying on normal market practice (as described by the Board after consultation with the Committee). Only contracts conforming to this so determined normal market practice may be traded on the System.

### Article 17: Conclusion and registration of contracts and Mid-Price crossing

1. Contracts are concluded by the matching, according to procedures laid down by the Company described in these Rules, of a Quote and an Order or of two Quotes. The contract shall be deemed to be concluded at the time when the System displays on the screen the matching referred to above.
2. A Quote that has received a partial Order shall be considered an effective Quote for the residual portion, retaining the time priority originally assigned to it, in conformity with these Rules.
3. In addition to the input of Quotes, and the matching of Quotes and Orders, or the matching of two Quotes as set out in the preceding sections, where there is:

- (a) a higher level of liquidity in a certain security (as determined by the Company from time to time) and
- (b) where the functionality is available (as set out in the system pages),

the System will calculate a "Mid Price" between the prevailing bid offer spread. System Participants may put in an Order at this Mid-Price. These Quotes will only be automatically matched to Orders at this Mid-Price.

4. Quotes on "Mid-Prices" will be subject to a different minimum execution size ("**Minimum Mid-Price Execution Size**") which will be set by the Company (and set out on the system pages). System Participants may enter Quotes with a higher execution size than the Minimum Mid-Price Execution Size, but not a lower size.
5. All the contracts concluded on the System shall be registered by the Company in real time. Each contract shall have a unique identification number and will be registered including:
  - (a) the names of the contracting parties;



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(b) type, object and time of conclusion of the contract;

(c) quantity and Price.

6. All transactions on the System are recorded and archived.

### Article 18: Settlement of Contracts

1. Subject to Article 18.2, the System shall forward settlement instructions to the relevant clearing and settlement institutions at the end of each Trading Day in respect of trades carried out on the System on that day.
2. In accordance with the procedures set by those clearing and settlement institutions involved with the System, the settlement of contracts shall take place according to the rules set out in Annex J (Settlement Cycle).
3. System Participants agree to give the Company the right to transmit settlement instructions on their behalf to the clearing and settlement institutions specified in Annex M (Clearing Institutions).

### Article 19: Cancellation of Trades

Cancellation of incorrect operations shall be carried out by the Company according to the procedure described in Annex L.

### Article 20: Law governing contracts

Subject to the provisions of any specific master agreement or normal market practice (as such practice shall be described by the Committee), English law shall be the law governing all contracts concluded on the System.



### **SECTION VI INFORMATION REQUIREMENTS**

#### Article 21 - Provision of information to Participants and public

1. The Company shall make available to Participants such information as it deems necessary for the correct performance of trading activities and for the execution of the contracts concluded on the System.
2. For each Selected Security on the System, the Company shall make available to each Participant admitted to the System, in real time, the following information:
  - a. Price and quantity of Quotes (quantity summed per Price level);
  - b. Price, quantity, and time of the most recently concluded contract of the Trading Day;
  - c. low, high and weighted average Price and volume for each hour during the Trading Day;
  - d. low, high and weighted average Price and volume for the current Trading Day and the previous Trading Day;
  - e. low and high Price and total volume traded during the period the security is a Selected Security; and
  - f. for each Participant, the itemised list of all the contracts it has concluded on the current Trading Day.
3. For each Selected Security traded on MTS Czech Republic, the Company shall make available to each Participant in real time the current status of all the Quotes it has entered.
4. The Company shall make available to each Participant, via the System, the following tables, updated daily:
  - a. complete table of the identification codes of each Selected Security, including the settlement date for concluded contracts; and
  - b. a complete table, with identification codes, of all Participants and descriptions.
5. For each Selected Security, the Company may make available publicly in real-time, the information relating to the Price and quantity of the best buy and sell Quotes.



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### Article 22 - Provision of information to the authorities

The Company shall supply to the FSA (or any successor thereto) data and information on the contracts concluded and the activities carried out by Participants on the System and all other data, information, acts or documents as so requested by the FSA or required for the Company to comply with its obligations to the FSA.

### Article 23 - Provision of information to the issuer

The Company may submit to the Czech Republic, up to the extent requested by the Czech Republic, all data and information related to (i) the quoting activity within the System and (ii) the activities carried out by Participants on MTS Czech Republic.

## **SECTION VII SUPERVISION AND SANCTIONS**

### Article 24: Verification of regular course of trading

1. The Company shall monitor the behaviour of Participants during the Trading Hours and verify compliance with the Rules.
2. The Company may perform, among other things, the following activities:
  - (a) verify, through the System's information flow, compliance with the undertakings contained in the present Rules and, where doubts in this regard arise, shall promptly request clarification from the Participant involved, who shall supply such clarification in the shortest time possible;
  - (b) verify proper updating of the archives, the procedures and all else necessary to the orderly conduct of trading;
  - (c) monitor the functioning of the System's technical structures and transmission networks;
  - (d) perform technical controls with regard to the anomalous nature of certain trades as described in Annex L (Trade Cancellation);
  - (e) promptly inform System Participants of any of the Company's actions that affect the operation of the System;
  - (f) handle incorrect Price input in the entry of orders into the System, in the manner laid down in Annex L (Trade Cancellation).



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3. Other than as is necessary for computerised, screen-based trading, as required by a court of competent jurisdiction or a regulator having due authority, and for the purpose of these Rules, the Company shall keep confidential all information acquired in the course of its activities of managing and monitoring the System. Information available on the System shall only be accessed via special passwords assigned by the Company to System Participants.

### Article 25: Sanctions

1. When a Participant is in breach of one or more of the undertakings contained in Article 7.1, the Participant shall be subject to one of the following sanctions, depending on the nature and seriousness of the action and of any previous breaches committed:
  - (a) a written censure rendered public to all Participants;
  - (b) a suspension from trading on the System for a period of not more than 2 (two) months; or
  - (c) a removal from the list of System Participants.
2. If a Participant has been subject to the sanction referred to in paragraph (a) of Article 25.1 for breach of any the said undertakings and further breaches any of said undertakings within a period of 2 (two) months thereafter, that Participant shall be suspended from trading on the System for a period of not less than 10 (ten) Trading Days following the further breach.
3. The sanctions referred to above shall be adopted by the Committee in the name of and on behalf of the Company at the conclusion of the proceedings herein. In imposing sanctions, the Committee will act fairly and in a non-discriminatory manner.
4. The Committee shall decide by majority vote of its members. No person who holds an administrative, managerial or supervisory position with a particular System Participant or is linked to a particular Participant by a consultancy relationship shall participate in decisions on cases involving the conduct of that Participant.
5. Any suspension shall be revoked when, at the discretion of the Company and/or of the Committee, the reasons for it shall be considered to have been eliminated.
6. A Participant that has been removed from the list of Participants may, at the discretion of the Company, be re-admitted to the System pursuant to a new application, but not before one year has elapsed from the date of notification of said removal.



### Article 26: Procedure for the application of sanctions

1. When the Committee is of the opinion that a Participant has breached any of the undertakings referred to in Article 7.1, it shall communicate to the Participant a written notice describing the breach with which it is charged and inviting it to submit an explanation to the Committee.
2. Within 10 (ten) days of the communication of the notice referred to in Article 29.1, the Participant may file with the Committee defensive briefs and documents and may ask to be heard.
3. Once the filing deadline referred to in Article 26.2 has expired, the Committee, having heard the Participant involved if the latter has so requested, and examined any defensive briefs and documents filed, shall adopt one of the sanctions referred to in Article 26.1, if it considers that the breach of which the Participant is charged has in fact taken place; otherwise, it shall declare the sanction proceedings concluded.
4. The decision pursuant to Article 26.3 shall be communicated in writing to the System Participant involved.
5. A decision pursuant to Article 26.3 that orders the application of a sanction shall specify the form by which such decision shall be publicised, including at least electronic notification through publication on the System. Such publicity can be omitted when the sanction applied is that of written censure only.
6. Without prejudice to the provisions of Article 4, in all cases in which it is considered by the Committee to be necessary in order to safeguard the System and its correct and reliable functioning as well as in cases of special urgency, when there are reasonable grounds to believe that a System Participant has committed a serious infraction or is in a state of suspected insolvency, the Committee will so advise the Company and the Company may order, as a precautionary measure, the immediate suspension of the System Participant from trading. The period of precautionary suspension shall not ordinarily exceed twenty Trading Days. In any event, the preliminary suspension order referred to above shall cease to be effective when the decision taken pursuant to Article 27.3 is communicated to the Participant.
7. Save as provided by Article 26.6, sanctions shall take effect on the date on which they are communicated to the System Participant by the Company.



### **SECTION VIII FINAL PROVISIONS**

#### Article 27: Liability

1. The Board reserves the right to terminate the System at any time on giving at least 6 (six) months of notice to the MoF and the Committee and where practicable, having consulted the MoF and the Committee prior to making its decision to terminate.
2. The Company shall have no liability (save for a refund of the pro-rata part of any pre-paid fees) to any Participant in respect of termination of the System or interruption of the service for longer than three consecutive days.
3. In the absence of fraud, wilful misconduct and/or gross negligence on its part, the Company shall have no liability to any Participant or any other person with respect to any action taken or omitted to be taken in connection with providing the services contemplated these Rules. Further, the Company shall have no liability to any Participant or any other person for consequential, indirect or unforeseeable loss or damage.

#### Article 28: Disputes

1. Upon applying to participate in the System, each System Participant shall agree that all disputes or issues that may arise between the System Participant and the Company in relation to its participation and the acts consequent thereto, including those concerning the application and the interpretation of the Rules, shall be exclusively subject to arbitration under the Rules of the London Court of International Arbitration.
2. Subject to Article 27 above, nothing in the Rules shall operate to exclude or restrict any duty or liability of the Company to a customer (as defined in the rules of the FSA) which it has under the Financial Services and Markets Act 2000 of the United Kingdom or under the regulatory system (as defined in the rules of the FSA).



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### ANNEXES TO RULES OF MTS CZECH REPUBLIC

#### Annex A: Selection Criteria

All debt-related Financial Instruments

- (a) issued by the Czech Republic acting through the MoF;
- (b) with a remaining term of more than 1.25 years at the time of selection; and
- (c)
  - (i) with an outstanding amount of at least CZK 30 billion, or
  - (ii) with an outstanding amount of no less than CZK 6 billion at first issuance, where the issuer has publicly announced its commitment to "tap" that security in one or more tranches so that it shall reach a total principal amount outstanding of at least CZK 20 billion within 180 calendar days of the issue date of the first issuance of that security

#### Annex B: Minimum Quantities for Orders and Quotes

MTS Czech Republic Participants can input Quotes for a minimum quantity of CZK 10 million for each Selected Security for spot contracts.

The minimum trading quantity is CZK 1 million for each Selected Security for spot contracts.

#### Annex C: De-Selection Criteria

- (a) Selected Securities where the remaining term is less than 1 year.
- (b) Such other factors as the Board or the Committee may consider appropriate.

#### Annex D: Contracts

Spot buy or spot sell contracts

#### Annex E: Trading Hours

The Trading Hours of the System shall be from 09:15 to 16:20, CET

Subject to Article 7.2, the minimum number of hours in relation to the obligations to make Quotes on the System per Trading Day during the Trading Hours of the System is 5 hours.



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### Annex F: Quotation/Spread Obligations

Financial Instruments issued by the MoF, with fixed coupon:

Maturity bucket	Minimum quote size (CZK million)	Maximum bid/ offer Spread
A (1.25- 3.5yrs)	50	Competitive spread based on average spread quoted by all System Participants multiplied by a fixed factor of 1.5
B (3.5 – 6.5yrs)	50	
C (6.5 - 13.5yrs)	40	
D (13.5+ yrs)	30	

Spread: Expressed in ticks where 1 tick represents 0.01 % of the par value of the Financial Instrument

### Annex G: Allocation of Financial Instruments

All System Participants are allocated all Selected Securities that are automatically selected as Selected Securities in accordance with Article 3.1

### Annex H: Conclusion of Contracts

Orders are made by indicating the quantity and the "exclusion price". The "exclusion price" is the Price up to which the Participant which sends the Order is willing to execute the contract. The Order is carried out automatically by the System up to the "exclusion price".

The Quotes and Orders are matched by the System until the desired quantity is reached or no further matches are possible given the exclusion price.

The execution procedure is made according to a price/time algorithm as follows:



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- (a) The "Best Price" is applied;
- (b) Should there be more than one Quote at the "Best Price", then the matching occurs according to when the Quotes were inserted into the System, starting from the least recent, to the most recent;
- (c) If applying the above mentioned criteria the entire quantity of the Order is not fulfilled, then the closest Price to the "Best Price" is applied and so on until the Order is so fulfilled.

The provisions contained in the preceding section are also to be applied for the conclusion of contracts by the matching of two Quotes.

It is at the Participant's discretion whether or not to accept Orders that are less than the minimum trading quantity as specified in Annex B.

### **Annex I: Registration of Contracts**

The Company shall create an electronic file in which the data regarding the contracts executed on the System are registered in real time. Each separate contract shall have an identification number, for:

- a) the contracting parties;
- b) type, object and time and date of conclusion of the contract;
- c) quantity and Price.

### **Annex J: Settlement Cycle**

The settlement cycle will follow the market practice for the relevant Financial Instrument unless determined otherwise by the Committee.

### **Annex K: Daily Statistics**

The list described in Article 17.4 of the Rules shall be compiled at the end of each Trading Day and shall be divided into sections.

The list shall indicate, for each type of Selected Security:

- (a) Identification code of the type of Selected Security;
- (b) description of the type of Selected Security;



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- (c) the minimum Price;
- (d) the maximum Price;
- (e) the average weighted Price;
- (f) the volume traded.



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### Annex L - Trade Cancellation Procedures

#### 1. Bilateral cancellation request

Cancellation of trades shall be performed by the Company upon request of both counterparties communicated to the Company by email provided that such communication is received prior to the closing of the Market or immediately afterwards.

#### 2. Unilateral cancellation request

1. If the trade cancellation is requested by only one counterparty to a trade, the following procedure shall apply:

- a) The cancellation request shall be notified by one of the parties to the Company and to the other party by telephone or email within 15 minutes of the execution of the trade. In any case it must be confirmed by email. Upon the receipt of the notification, the Company shall immediately contact the trade counterparty with respect to such cancellation.
- b) If the counterparty agrees with such cancellation request within 15 minutes of receipt, the request shall be treated as a bilateral cancellation request and shall be executed by the Company.
- c) In the event that the other counterparty does not respond within 15 minutes or it disagrees with the trade cancellation request the Company shall ascertain whether a unilateral cancellation can be performed.
- d) In order to qualify for unilateral cancellation a trade must be proved beyond doubt to deviate considerably from the Fair Market Value of the relevant security at the time of execution as per sub-section e) below.
- e) **Ascertaining Fair Market Value**
  - i. The Company shall ascertain the Fair Market Value of the security in question by immediately requesting to five Participants five (5) firm two-way inter-dealer electronic quotes for that instrument at the time of execution of the trade
  - ii. The five Participants consulted are appointed by the Market Committee and exclude either party of the disputed transaction (the "Selected Participants").
  - iii. The Selected Participants shall respond to a request in relation to Fair Market Value within 15 minutes by return email.
  - iv. The Company will discard the bid/offer quote containing the highest bid and the bid/offer quote containing the lowest offer and calculate, truncating the result to the third decimal and then rounding to the second decimal, the average of the remaining bid prices and the average of the remaining offer prices, which will determine the Fair Market Values .
  - v. Starting from the Fair Market Values, the Company will then calculate the relevant spread (average bid offer spread).
- f) Once Fair Market Value is ascertained, the trade price in question will be considered to be inconsistent with the Fair Market Value if it deviates by more than 50% of the average bid offer spread from the Fair Market Value of the bid or offer, whichever is relevant.

In detail:

- Error sale (i.e. cancellation request is made by the seller):

The transaction will be cancelled when the trade price is lower than the fair bid price by more than 50% of the above defined spread at the time of the execution of the trade.

- Error purchase (i.e. cancellation request is made by the buyer):

The transaction will be cancelled when the trade price is higher than the fair ask price by more than 50% of the above defined spread at the time of the execution of the trade



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Example:

Instrument A 2.500 1 February 2013

The following Best bid-offer prices were on the best page – 107.15/110.25

Seller aggresses bid at 107.15 and then reports it as an error trade (being an error sale).

Following a poll of five market participants, the five bid/offer quotes are as follows:

- 108.60/109.60
- 108.50/109.65
- 107.90/109.50
- 108.25/109.30
- 108.30/109.20

The bid/offer quote with the highest bid and the bid/offer quote with the lowest offer are disregarded leaving the following:

108.50/109.65  
107.90/109.50  
108.25/109.30

Then the average bid and the average offer are calculated starting from the three remaining bid and offer prices. The result is truncated to the third decimal and rounded to the second decimal:

- Avg Bid=  $(108.50 + 107.90 + 108.25)/3 \Rightarrow 108.22$  truncated to the 3rd and rounded to the 2nd decimal which determines the Fair Bid Market Value
- Avg Offer =  $(109.65 + 109.50 + 109.30)/3 \Rightarrow 109.48$  truncated to the 3rd and rounded to the 2nd decimal which determines the Fair Offer Market Value

Therefore the remaining values are 108.22/109.48 generating an average bid/offer spread of 126 cts

The following bid and offer limits are obtained by applying the 50% deviation margin to the average bid/offer spread (126 cts):

107.59/110.11

The sale executed at 107.15 will be cancelled as the low parameter is 107.59 i.e. all sales < 107.59 may be cancelled should that be requested by the seller in the present example.

- g) If the relevant reported trade is proven to be off the Fair Market Value based on the criteria listed above, the Company shall perform the unilateral cancellation of the relevant trade.
- h) The Company will inform the counterparties to the relevant trade via telephone (confirmed by e-mail) of its decision to cancel unilaterally the requested trade within 45 minutes from the notification of the trade cancellation request.
- i) In the event of CCP-Contracts, where the counterparties of the trade are non disclosed, the Company is entitled to reveal the identities in order to resolve the trade dispute, if deemed useful to resolve the trade dispute.

2. In the event of a MMI, or Major Market Incident, the Company shall cancel the trades affected by such MMI. In connection with such cancellation, the Company shall also be entitled to take into account trades entered into outside of the MMI period but affected by the incident. The Company shall also be entitled to determine whether trades entered into during the MMI period have remained unaffected by such MMI. The Company may at its discretion consult the Participant whose trades have been or may be affected by an MMI.

The Company shall inform the Participants and the supervisory authorities in a timely manner of the occurrence of an MMI and shall specify the time of the commencement and end thereof. The parties of the trades subject to cancellation shall be notified within the close of the trading day, unless force majeure prevents such notification.



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3. The Company shall on its initiative cancel trades or correct data relating to securities whose issuance has been announced but has not occurred yet or where the volume of the issuance is significantly lower than announced.

### **Annex M: Clearing Institutions**

In accordance with Article 6.1 (b), the following entity is nominated eligible clearing and settlement institutions for the System Participants:

Central Securities Depository (Centrální depozitář cenných papírů, a.s.), registered office at Prague 1, Rybná 14, Postal Code: 110 00, IČ (Company ID): 250 81 489, entered into the Commercial Register kept by the Municipal Court in Prague, Section B, Insert 4308.