



**Exchange rules – part II.**

## **MEMBERSHIP RULES**

**XETRA<sup>®</sup> Prague**

## **SECTION I GENERAL PROVISIONS**

### **Article 1 Subject Matter of the Rules**

This part of the Exchange Rules covers the terms of membership in the Prague Stock Exchange, a. s. (hereinafter the "Exchange") and Exchange members' rights and duties arising from Exchange membership, as well as the conditions for the initiation, assignment and termination of the Exchange membership and proceedings associated therewith.

### **Article 2 Membership of the Exchange**

(1) Only investment firm who meets all the requirements (conditions) set by the law, the Exchange Rules and decisions of the Exchange bodies is eligible for Exchange membership.

(2) The rights and responsibilities of Exchange members are regulated by the law, by the Membership Agreement and by the Exchange Rules.

(3) Membership on the Exchange entitles the Exchange member to conclude Exchange trades on the Exchange markets. In the course of Exchange trading, the Exchange member always acts in its own name on their own account or on the client's account.

(4) For the entire duration of their Exchange membership, Exchange members must satisfy conditions applicable to membership on the Exchange.

(5) There is no legal entitlement to Exchange membership.

### **Article 3 Terms of the Membership**

(1) Only the following parties are eligible for Exchange membership:

- (a) Persons possessing the relevant licence for the execution of instructions regarding investment instruments on the client's account or for trading with investment instruments on one's own account granted by the Czech National Bank;
- (b) Foreign persons residing in another European Union or OECD Member State if such persons possess the relevant licence for the providing of investment services with the subject matter including the execution of instructions regarding investment instruments on the client's account or for trading with investment instruments on one's own account and the licence has been granted by the supervisory body of the home state.

(2) Only persons who signed the Membership Agreement with the Exchange are eligible for Exchange membership. The membership starts at the day of which the Membership Agreement takes effect. The granting of consent issued by the Exchange Chamber is necessary for the Membership Agreement.

(3) For the entire duration of its Exchange membership, the Exchange member shall be able to clear and settle transactions concluded by them on the Exchange markets pursuant to rules of the given settlement or clearing system.

(4) For the entire duration of its Exchange membership, the Exchange member shall have a functional technical connection to the trading system.

(5) The Exchange member is obliged to ensure trading on the Exchange through at least two sufficiently qualified and experienced persons who prove the knowledge of the trading system of the Exchange and the rules of trading on the Exchange.

(6) A member of the Exchange shall be obliged to comply with the conditions set by generally valid legislation.

(7) Eligibility for Exchange membership shall be denied to any person against whom a bankruptcy resolution has been adopted by the insolvency court; this applies for a period of five years from the termination of the proceeding. Exchange membership shall furthermore be denied to any person whose stability of assets is otherwise jeopardised.

(8) Eligibility for Exchange membership shall be denied to any person in receivership.

## **Article 4**

### **Application for Exchange Membership**

(1) The Exchange membership is granted by the Exchange Chamber on the basis of a written application of a membership applicant addressed to the Exchange.

(2) The application pursuant to paragraph (1) includes:

- (a) a certificate of incorporation issued for the applicant by the Companies Register - not older than 1 month, if the Company Register exists in the given country; whether there is no such register, the applicant shall submit any document proving the establishment of its entity
- (b) a document proving that the person holds a licence to provide investment services,
- (c) a communication connection agreement between the Exchange and the applicant;
- (d) the names of staff responsible for communication with the Exchange, in particular for trading, trade settlement, risk management, and the mechanism of inside inspection and control (surveillance);
- (e) the names of at least 2 persons pursuing the Exchange trading activities specified in Article 3 (5), including proof of adequate knowledge and experience necessary for the fulfilment of such activities,
- (f) two copies of Membership Agreement signed by the applicant;
- (g) an agreement with a settlement system through which the applicant will be able to settle trades;
- (h) a clearing agreement with a central counterparty if clearing is not included in the given settlement agreement;
- (i) information if the the real owner and person authorized to act on behalf of the owner is or is not a person politically exposed and is or is not listed on The Consolidated list of persons, groups and entities subject to EU financial sanctions.  
in addition PSE may require
- (j) identification of the real owner/owners of a membership applicant - the declaration must be signed by persons authorized to act for the applicant;

(3) Applications for the granting of Exchange membership to a foreign entity headquartered in another European Union Member State shall also include information stating whether the activities will be conducted within the Exchange through an organizational constituent or without having an organizational constituent located within the territory of the Czech Republic.

(4) Applications for the granting of the Exchange membership to a foreign entity headquartered in an OECD state that is not a member of the European Union shall also include the permission to provide investment services issued by relevant supervisory body of the home state.

(5) The applicant shall enable the Exchange to verify the truthfulness of the information and details stated in the application.

(6) Deeds (documents) not drawn up in Czech, Slovak or English must be officially translated into the Czech or English.

## **Article 5**

### **Evaluation of Membership Application**

(1) The Exchange will evaluate the membership application and transmits it to the Exchange Chamber for the decision of granting of the Exchange membership within 20 days.

(2) The Exchange may request that the applicant supply additional data or documents deemed necessary for the consideration of the application. Such a decision will be communicated to the applicant in writing, including a sufficient deadline for the submission of the requested documents. The application will be discussed again by the Exchange within 20 days of receipt of the supplementary information.

(3) The Exchange requests the opinion of the settlement system operator and central counterparty providing settlement and clearing for an applicant's exchange trades.

(4) If the applicant fails to submit the required materials by the deadline set for the submission of the supplementary information according to paragraph (2), the Exchange will recommend that the Exchange Chamber reject the application.

(5) The Exchange Chamber's decision-making on the granting consent of the Exchange membership is subject to general rules governing the Exchange Chamber's decision-making pursuant to the Statutes and Rules of Procedure of the Exchange Chamber. The decision on the granting or non-granting consent of the Exchange membership, is in written form and is sent to the applicant together with the calls upon the applicant to pay the respective Exchange fee in the amount and by the deadline set in the Rules of Exchange Fees.

## **Article 6**

### **Assignment of the Exchange Membership**

(1) An Exchange member may transfer membership to another subject (a "transfer member"). The membership of the transfer member is valid from the date of effect of the agreement for the transfer of rights and responsibilities from the membership agreement among the transfer member, transferring member and the Exchange.

(2) A requirement for signing a transfer membership agreement is the submitting of a joint application by the transfer member and transferring member and the agreement of the exchange chamber with the transfer member's application. The transfer member, application, evaluation of the application, and agreement of the exchange chamber all are governed by the relevant rules in articles 2, 3, 4 and 5. The transfer member is required to pay a fee for the application submission based on the fee template (fee for submitting a membership application to the exchange). The Exchange chamber may in special cases decide to apply lower fees. There is no legal requirement to agree to a membership application.

(3) The Exchange will request an opinion regarding the membership transfer from the clearing system, settlement system, central counter party for the transfer member and the transferring member.

(4) The transfer member, following the signing of the transfer membership agreement, will take the role of the former transferring member in such a way that membership continuity is

maintained, history of all trades is maintained, the same communications arrangements are maintained including the same codes into the exchange trading system, that no deposits or margins would have to be cancelled or deposited a new.

## **Article 7**

### **Right to Conclude Exchange Trades**

(1) Exchange members are authorised to conclude Exchange trades of investment instruments to the extent defined in the licence for the provision of investment services, provided that they have met the personal, technical, and capital requirements set by the Exchange, have secured the clearing and settlement of exchange trades, and if their securities trading has not been suspended by the Czech National Bank or by a supervisory body of the home state.

(2) Members pursue their activities specified in paragraph 1 through persons (traders) who have proven the knowledge and experience necessary for the fulfilment of such activities in a manner common within the capital markets. Such persons need an approval from PSE and they may only pursue their activities in favour of one member. PSE provides obligatory educational trainings for all XETRA traders annually. PSE keeps a record of all authorised traders.

(3) While reflecting the membership conditions or pursuant to an application from a member/membership candidate, the Exchange Chamber shall be entitled to define the types of trades which the respective Exchange member is entitled to conclude within the Exchange, or investment instruments which the Exchange member shall be entitled to trade on the market.

## **Article 8**

### **Direct Markes Access to the trading system for clients**

(1) A member has the right to allow clients to send orders directly to their internal system, and these orders are subsequently automatically transferred on behalf of the member to the Exchange trading system (Direct Market Access / Direct Electrical Access).

(2) The possibility for clients DMA/DEA shall be explicitly mentioned in the Membership Agreement.

(3) Member using DMA/DEA shall have appropriate systems and control mechanisms, including pre-trade and post-trade transparency. The purpose of these control mechanisms is to ensure DMA / DEA compliance with Exchange Rules, avoiding irresponsible trading or market abuse.

(4) Members using DMA/DEA shall meet the requirements according to valid legislation regarding DMA/DEA, in particular the requirements arising from the Membership Agreement.

## **Article 9**

### **Exchange Member's Responsibility**

(1) Exchange members are responsible for all orders and their specific aspects entered in the member's own name in the Exchange Trading System. This also applies to trade orders made on the account of third parties entered in the Exchange via the Exchange member's automated systems.

(2) For the purpose of fulfilling the obligations arising from the exchange rules, Exchange members shall evaluate the specific aspects of the client's instructions and the respective orders, particularly from the following perspectives:

- (a) the ability to comply with the commitments arising from exchange trades;
- (b) the defined trade limits and the customer's overall position.

(3) Exchange members shall implement measures so as to be able to refuse clients' instructions if a reasonable suspicion exists that the Exchange Rules have been breached.

## **Article 10**

### **Access to the Services Provided by the Exchange**

(1) All Exchange members have equal access to the services provided by the Exchange if they have met all the requirements and conditions set by the Exchange in order to regulate the providing of the services.

(2) Under the provision of these services, an Exchange member acquires Exchange information. The Exchange information means any information concerning Exchange trades, issues, issuers and other information associated with the Exchange's activities, while the Exchange is the original source or disseminator of such information. The Exchange information is provided in electronic form allowing its further processing.

(3) An Exchange member is only authorised to use the Exchange information for its own needs. The use for one's own needs means the storage, processing, use, and timely unlimited maintenance by the Exchange member of the information provided to the Exchange member by the Exchange. Also qualifying as use for one's own needs is the provision of information when performing in favour of third persons, provided that such performance relates to the subject of the Exchange member's business activities.

(4) PSE member takes into account that PSE - according to the obligations set by the European parliament Regulation 2016/679 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (GDPR) - records personal data by recording phone calls between the given person and person acting on behalf of PSE. All phone calls on the line +420 221 832 146 (hot-line for trading) are recorded, in order to protect the legitimate PSE interests. PSE members have to inform their employees using this line about that .

## **Article 11**

### **Information Disclosure**

(1) An Exchange member informs the Exchange of all changes in the data specified in Article 5 (2). An Exchange member, a foreign entity, informs the Exchange also of all changes in the data specified in Article 5 (3) or (4). The member provides proof of these changes within 5 working days from the effective dates of the respective changes. Exchange members shall also support changes entered in the Commercial Register by submitting the minutes (records) of the general meeting, within 30 days following the date of the general meeting.

(2) An Exchange member immediately informs the Exchange about matters representing a threat to Exchange trading or to the settlement of concluded Exchange trades.

(3) Apart from the data specified in paragraphs (1) and (2) hereof, an Exchange member informs the Exchange about the following facts (below) within 5 working days following the moment it becomes aware of this information:

- (a) any legal action whatever (including arbitration) or another action taken against the Exchange member, provided that, as a consequence of such action, the Exchange member's status may be or may have been jeopardised or its good name damaged (e. g. action for damage compensation, for settlement, for property-related compensation, and similar matters);
- (b) submission of the draft insolvency, decision on bankruptcy, reorganization or similar factual decision according to the foreign law, including taking effect for these documents;
- (c) the initiation of bankruptcy;
- (d) the initiation of a criminal proceeding and a lawful sentence for a criminal act of a property nature or another deliberate criminal act committed by a member of the statutory body, a manager or broker, or by another person regularly dealing with

securities, cash in the settlement of trades in securities or maintaining the accounting associated therewith, trading security measures inclusive;

- (e) payables overdue (after maturity), showing their amounts, provided these may have an impact on the fulfilment of obligations arising from Exchange trading or Exchange membership.

(4) An Exchange member submits to the Exchange:

~~(a) a complete, audited closing annual statement of accounts (balance sheet, profit and loss statement, annex to the accounts, and auditor's statement), and/or annual report on its operations (income statement) — no later than 4 months following the ending of the accounting period;~~

- (b) reports on the outcome of inspections conducted by the Czech National Bank or the supervisory authority of the home state, and reports on sanctions imposed by these authorities, no later than 5 working days of their entry into legal force;

~~(c) information on capital adequacy as at the last day of the respective calendar quarter — no later than the end of the month following the quarter to which the data relate.~~

(5) An Exchange member shall inform the Exchange if the member changes its clearing bank, central counterparty, settlement system – a minimum of 5 working days before such change come into effect.

(6) Unless statutory regulations or Exchange Rules state otherwise, the Exchange undertakes to keep confidential the data reported to it by its member in accordance with the Exchange Rules and not to provide the data to any third party or to disseminate it further without the previous consent of the member.

## Article 12

### Controlling Powers of the Exchange in Relation to Exchange Members

(1) The Exchange is authorised to check whether an Exchange member has met all the requirements and duties of a member as laid down in the Exchange Rules. The Exchange member must enable Exchange officers to exercise such inspection if these are equipped with the relevant credentials issued by the General Director of the Exchange.

(2) For the purpose of conducting an inspection pursuant to paragraph (1), an Exchange member is, at its own expense, obliged to submit to the Exchange any information, documents (deeds), accounting books and records it maintains according to the statutory regulations and Exchange Rules.

(3) For the purpose of conducting an inspection, the Exchange is authorised to make photocopies of documents selected according to paragraph (2), or of their records stored on technical data carriers, and to analyse these documents in a place other than the seat of the Exchange member that is being inspected.

(4) In conducting an inspection, Czech or English is the official language. Interpretation and translation costs from other languages associated with the inspection are paid by the Exchange member.

(5) An Exchange member shall adjust its contractual relationship with its client in such a way, as to enable that all information on trading in investment instruments for clients can be submitted to the controlling bodies of the Exchange.

(6) Exchange members are obliged to provide the Exchange, without undue delay, with the documents referred to in paragraph (2). Deeds (documents) produced in a foreign language must, at the Exchange's request, must be officially translated into Czech or English.

(7) Non-compliance with an Exchange member's duties during the conducting of review activities constitutes a breach of the member's duties.

(8) The submission of incomplete or incorrect documents, making supplementary adjustments therein, and the delay in their submission qualifies as a violation of an Exchange member's duties.

### **Article 13 Sanctions**

(1) If an Exchange member breaches its duties arising from Exchange membership and laid down in the Exchange Rules, the Exchange can:

- (a) require the member to pay penalty, of up to CZK 500,000,
- (b) publish the fact that Exchange Rules have been broken by the Exchange member,
- (c) decide of the suspension of the member's membership on the Exchange.

(2) The Exchange's rights under par. 1 may be applied within six months following the day on which the Exchange became aware of the facts decisive for the sanction, though not later than one year from the day on which the facts occurred. Any agreement on the penalty does not prejudice the Exchange's right for compensation of the breach of obligations covered by the penalty. This applies also in the situation when an amount of the compensation is higher than the penalty.

(3) The proceeding is not public. The Exchange shall inform the member about the commencement of the proceeding and the particular member is entitled to express its opinion.

(4) The decision of the Exchange is being done by its CEO. The affected member cannot appeal against the decision.

(5) If required by the nature of the matter, the Exchange may ask the member to provide an explanation regarding the breach of obligations.

(6) Sanctions pursuant to paragraph (1), item b) mean the publication of the member's name, which provision of the Exchange Rules was broken and the manner in which this was done. The information is published in the Exchange Bulletin and is provided to the mass media.

(7) The decision to impose sanctions and the reason for this measure shall be announced in written form and sent to the company's registered office.

(8) A penalty is payable in 10 working days from the delivery of the announcement of the application.

(9) The decision of membership suspension on the Exchange, including the justification of this measure, is published. Publication in particular means the publication of the information in the Exchange Bulletin and its provision to the mass media.

(10) Orders issued by Exchange members whose membership in the Exchange was suspended will lose their validity at the day on which the decision on the membership suspension comes into effect.

(11) During the period for which a member's membership on the Exchange is suspended, the member retains all rights and duties arising from the Exchange membership, with the exception of the right to conclude and register Exchange trades.

### **Article 17 Withdrawal of Membership**

(1) The Exchange may withdraw Exchange membership from a member in the following cases:

- (a) the member does not meet the general conditions established for the membership in Article 3;
- (b) securities trading was suspended for the member by the Czech National Bank or the supervisory body of the home state;
- (c) the member fails to comply with obligations arising from Exchange trades;
- (d) the member fails to comply with obligations arising from the contracts made with the Exchange;
- (e) the member fails to inform the Exchange about facts that may endanger trading at the Exchange or the settlement of the Exchange trades;
- (f) the member fails to submit to the Exchange the information, documents, deeds, accounting books and records the member shall maintain in accordance with the statutory legal regulations and the Exchange Rules or the member fails to enable the Exchange to carry out inspection;
- (g) the member acts or participates in actions leading to market manipulation;
- (h) the member uses insider information for its own benefit;
- (i) the member violates regulations regarding money laundering.

(2) A decision on withdrawal of Exchange membership, including the justification of this measure, is communicated to the member immediately.

(3) The decision on withdrawal of Exchange membership is final. By the withdrawal of Exchange membership the Membership agreement loses effect.

(4) The withdrawal of membership and the justification are published. Publication in particular means the publication of the information in the Exchange Bulletin and its provision to the mass media.

## **Article 15** **Cessation of Membership**

(1) Membership on the Exchange ceases to exist:

- (a) upon the delivery to the Exchange membership resignation. Unless a later date is stated by the resignation, the membership ceases to exist at the date of this notice.
- (b) upon entry into effect of the Exchange Chamber's decision on withdrawal of the Exchange membership; the membership ceases to exist at the date of this decision.
- (c) upon entry into effect of the decision on imposition of sanction by which licence for an investment firm is permanently withdrawn;

(2) Orders issued by Exchange members whose membership on the Exchange ceased to exist will lose their validity as of the day of the membership cessation.

## **Article 16** **Effectiveness**

This part of the Exchange Rules, "was approved by the Exchange Chamber and takes effect on December 2, 2019.