

# Annex Czech Republic

(Effective as of 3rd January 2018) (version 14/12/2017)

MTS Czech Republic is a segment of the MTS Cash Domestic Market Multilateral Trading Facility operated by EuroMTS Limited.



# Annex Czech Republic

Effective as of 3rd January 2018

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## 1. General Provisions

### 1.1. Definitions

The MTS Cash Domestic Market Rules apply;

In addition the following definitions are also applicable to MTS Czech Republic

“MoF” means the Ministry of Finance of the Czech Republic;

“Primary Dealer” means an institution that has been designated by the MoF as a Primary Dealer;

“Trading Day” the definition of “Trading Day” in the General MTS Domestic Markets Rules shall be amended to include the following wording: the MoF and the Committee shall be consulted when MTS determines the Trading Days;

### 1.2. Market Rules

1. The MTS Cash Domestic Market Rules apply
2. For the MoF, the Articles 7.1.3 last sentence, 7.2, and 7.3 of the MTS Cash Domestic Market Rules are not applicable.

## 2. Financial Instruments

### 2.1. Financial Instruments

1. The provision of Article 2.1 of the MTS Cash Domestic Market Rules shall be integrated by the following provisions:
2. Financial Instruments shall mean 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 Market.
3. Financial Instruments shall be 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

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- 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 Financial Instrument 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 Financial Instrument.
4. MTS, after consultation with the Committee may, at any time, choose to make available for trading additional Financial Instruments which do not meet the relevant criteria in point 2 above.
5. MTS, after consultation with the Committee, shall determine which (if any) Financial Instruments 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 the following criteria: i) remaining term is less than 1 year and ii) such other factors considered appropriate.
6. Any decision by MTS, after consultation with the Committee, to de-select a Financial Instrument shall be made public after Trading Hours and shall be announced to all Participants on the Market before the commencement of trading on the next Trading Day.
7. Following the decision to de-select any Financial Instruments, MTS shall give at least two weeks prior written notice of such de-selection to all Participants.

## 2.2. Minimum Lots

1. The Minimum Quote Size, Minimum Single Side Quote Size, Minimum Trading Size, and the Minimum Increment Quantity for each Financial Instrument can be found in the Regulatory Specifications.

## 3. Participants

### 3.1. Participant admission criteria

In The MTS Cash Domestic Market Rules apply. The specified list of institutions may be updated from time to time also upon recommendation of the Committee.

### 3.2. Participant admission procedures

1. The MTS Cash Domestic Market Rules apply, and additionally the following rule shall apply:

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The only category of Participant's in MTS Czech Republic is Market Makers. Article 4.10 here below sets out the relevant Quoting Commitments. The Committee shall be consulted before a decision to admit a Participant is taken by MTS.

### 3.3. Participant on-going undertakings

1. The MTS Cash Domestic Market Rules apply.

### 3.4. Resignation of Participants

1. The MTS Cash Domestic Market Rules apply with the following amendment:  
A Participant may resign from the Market on giving not less than 1 (one) month notice in writing to MTS and the MoF and shall apply from the date on which either MTS or the MoF receives the notice first.

### 3.5. Suspension of Participants from trading

1. The MTS Cash Domestic Market Rules apply

### 3.6. Exclusion of Participants from trading

1. The MTS Cash Domestic Market Rules apply

### 3.7. Regional Market Committee for MTS Czech Republic

1. Members of the Committee are appointed in accordance with the MTS Czech Republic Committee Rules, as approved by MTS from time to time. Eligible members shall be members of the Committee shall be representatives of the MoF, the Czech National Bank, MTS and the Participants, providing that they are also Primary Dealers. MTS shall appoint the Committee following consultation with the MoF. MTS shall not remove any Committee member without prior consultation with the MoF.
2. 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 MTS may determine following consultation with the MoF.
3. Any decisions made by the Committee must not contravene any regulatory requirements of the FCA or any other applicable laws, or technical requirements of the Market.
4. MTS 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 the Market Rules or the Committee.

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5. 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 FCA and all other applicable laws, or technical requirements of the Market.

## 4. Trading

### 4.1. General systems operations

1. The MTS Cash Domestic Market Rules apply, with the exception that the MTS Cash Domestic Market Rules shall be amended by adding the right for the Committee to recommend the suspension of a Financial Instrument. MTS, also upon recommendation of the Committee can lift the suspension if the cause of suspension no longer applies.

### 4.2. Types of Trade

1. The MTS Cash Domestic Market Rules apply, with the exception that Article 4.2.2 of the General Domestic MTS Market Rules shall be amended by adding the following text:  
MTS after consultation with the Committee shall determine and shall specify the types of contract by means of which each Financial Instrument may be traded on the Market. Currently those contracts are the ones indicated in the MTS Cash Domestic Market Rules.

### 4.3. Market trading hours

1. The MTS Cash Domestic Market Rules apply
2. Trading days: as defined by the TARGET calendar except Czech Banking Holidays
3. The Trading Hours (CET) of the Market are: (descriptions of the phases are the same as in the General Domestic Market Rules)

“Pre-Market phase”: 8.45 a.m. – 9.15 a.m.

“Offer phase”: 9.15 a.m. – 9.30 a.m.

“Open Market phase”: 9.30 a.m. – 4.20 p.m.

“Closed Market phase”: 4.20 p.m. – 8.45 a.m.

### 4.4. Quotes and Orders

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1. The MTS Cash Domestic Market Rules apply.

## 4.5. Contracts

1. The MTS Cash Domestic Market Rules apply.

## 4.6. Conclusion and registration of Trades

1. The MTS Cash Domestic Market Rules apply.

## 4.7. Mid-Price crossing

1. Mid-Price crossing is not available on MTS Czech Republic.

## 4.8. Trade Registration facility

1. The MTS Cash Domestic Market Rules apply.

## 4.9. Cancellation of Trades

1. The MTS Cash Domestic Market Rules apply.

## 4.10. Market Making Agreements

1. MTS shall notify each Market Maker of the Financial Instruments assigned to it, pursuant to the undertakings in Article 3.3.2 of the MTS Cash Domestic Market Rules, not less than 2 Trading Days prior to the obligation to make Double-Sided Quotes in such Financial Instruments by electronic notification. Participants shall not be entitled to require information as to which Financial Instruments have been assigned to other Market Makers.
2. MTS shall consult with the Committee before changing the allocation of Financial Instruments to Market Makers.
3. In order to comply with applicable regulations, the following provisions of the MTS Cash Domestic Market Rules shall apply:
  - (i) Article 4.10.5
  - (ii) Article 4.10.6
  - (iii) Article 4.10.7
  - (iv) Article 4.10.8 will be amended in the second sentence as follows: "...where the Market Maker in question fails to honour its Quoting Commitments for three (3) additional consecutive months, MTS shall have the right, in consultation with the MoF, to initiate the disciplinary procedure as

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per Section 7 here below.” In addition, the last sentence of Article 4.10.8 shall not apply.

4. Should a Market Maker wish to pursue a Market Making Strategy on Financial Instruments in addition to those allocated to it under the above Article 4.10.1, it must notify MTS of its intention to do so not less than 2 Trading Days prior to the commencement of the Market Making Strategy by electronic notification.
5. Participants undertake to MTS, on each Trading Day, to make Quotes on the Market, for at least 5 hours within the Trading Hours determined in Article 4.3 above:
  - a. in relation to each of the Financial Instruments assigned to it from time to time by MTS pursuant to these Rules and to do so in compliance with the following table (Quotation/Spread Obligations):

Financial Instruments issued by the MoF, with fixed and floating coupon:

Maturity bucket	Minimum quote size (CZK million), providing the difference between the sizes on the bid and the offer is no more than 50%	Maximum bid/offer Spread
A (1.25-3.5 years)	50	Complete spread based on average spread quoted by all Participants multiplied by a fixed factor of 1.5
B (3.5-6.5 years)	50	
C (6.5- 13.5 years)	40	
D (13.5+ years)	30	

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

- b. if requested by the Committee, to continue to send Quotes in respect of a Financial Instrument, which has been de-selected from trading on the Market (e.g. where the remaining term is less than 1 year), for a period of 10 (ten) Trading Days after the decision of de-selection in compliance with point (a) above, but with a maximum Spread of twice that specified in point (a) above in respect of such de-selected Financial Instrument; 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;

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- II. Quoting Commitments shall not apply to a de-selected Financial Instrument, except as otherwise provided in point (b) above;
  - III. Quoting Commitments shall not apply to a Participant while it is suspended from trading or from the relevant list of Participants.
6. After consultation with the Committee, the chairman of the Committee, if normal market conditions do not apply, may, at its discretion, recommend MTS 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 point (a) above (Quotation/Spread Obligations); or
  - c. introduce temporary alternative procedures for the evaluation of Participants' quoting performance.

#### 4.11. Law governing Trades

- 1. The MTS Cash Domestic Market Rules apply.

## 5. Clearing and settlement of Trades

#### 5.1. Clearing and Settlement of Trades

- 1. The MTS Cash Domestic Market Rules apply.

## 6. Provision of data and information

#### 6.1. Provision of data to Participants

- 1. The MTS Cash Domestic Market Rules apply.

#### 6.2. Provision of data to Authorities

- 1. The MTS Cash Domestic Market Rules apply.

#### 6.3. Provision of data to debt management offices

- 1. The MTS Cash Domestic Market Rules apply.

#### 6.4. Provision of data to the public

- 1. The MTS Cash Domestic Market Rules apply.



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## 6.5. Amendments and communications

1. The MTS Cash Domestic Market Rules apply, with the addition of the following rule shall apply:

These Market Rules are made and may be amended or replaced from time to time by MTS following consultation with the Committee and the MoF.

## 7. Supervision and Sanctions

### 7.1. Monitoring the course of trading

1. The MTS Cash Domestic Market Rules apply.

### 7.2. Breach of undertakings

1. The MTS Cash Domestic Market Rules apply.

### 7.3. Procedure in respect to article 7.2

1. The MTS Cash Domestic Market Rules apply.

### 7.4. Failure to honour Quoting Commitments

1. The MTS Cash Domestic Market Rules apply, with the exception that Article 7.4.2 shall be amended to include the obligation on MTS to consult with the Committee before taking any decision on the measure to adopt, if any.

## 8. Final Provisions

### 8.1. Liability

1. The MTS Cash Domestic Market Rules apply, with the exception that the following text shall be added to Point 1:  
MTS reserves the right to close the operation of the Market 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 close.

### 8.2. Disputes

1. The MTS Cash Domestic Market Rules apply.

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