



Exchange rules – part I.

TRADING RULES

**Automated Trading System
XETRA[®] Prague**

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I. GENERAL

Article 1 Scope of Application

- (1) These Trading Rules shall apply to all exchange transactions in investment securities, investment instruments that are not securities (hereinafter referred to as securities) admitted to listing on the Prague Stock Exchange Markets concluded through the XETRA® Prague automated trading system (hereinafter referred to as XETRA®), by members of the Prague Stock Exchange (hereinafter referred to as PSE) in its function as a securities exchange.
- (2) XETRA® includes all securities for which it is technically possible to display all of the security's features on screen using the system's existing functionalities. The inclusion of securities in the individual trading procedures (Article 4), especially the type and procedure of trading in the individual securities and their continuity will be promulgated by separate notice.
- (3) PSE shall be authorized to group and allocate the securities tradable on XETRA® by objective criteria, such as by type of security and average trading volumes, and allocate these to individual trading segments, and to define uniform Trading Rules for each segment.

Article 2 Emergency Measures

- (1) PSE members shall be obligated to immediately inform PSE of any restrictions or hindrances to their participation in trading especially if due to technical disruptions. Emergency measures taken by PSE shall be binding on all members. If possible, such measures shall be announced in advance. If PSE's existing infrastructure and organizational structure allows, exchange members may ask PSE to place their orders into the system in the name of the asking member (trading-on-behalf).
- (2) PSE shall be authorized to interrupt trading for the purpose of fixing technical problems; trading shall be interrupted in any case under the following circumstances:
 - a) If orderly trading is not possible due to technical problems in the central system;
 - b) If participation in trading is restricted or hindered, especially due to technical disruptions for a critical number of exchange members; the critical number of members shall be deemed to have been reached if the members concerned jointly accounted for 50% of the trading volume in shares in the preceding calendar month.
 - c) Further reasons for suspension of trading can be found in the in the stock exchange trading rules – III. Rules for Single Auction and Continuous Trading and IV. Rules for Continuous Auction.
- (3) If, on a trading day, the price of a security deviates more than 30% from the closing price of the previous trading day, PSE shall have the right to suspend trading in such security until further notice. All existing orders and quotes in the electronic trading system are deleted. Exchange members must enter orders again when trading is resumed.

Article 3

Exchange Trading Days

- (1) Exchange trading days in the meaning of these Trading Rules are all days on which Xetra® is available to exchange members for concluding transactions. The Calendar of exchange trading days is defined by PSE and approved by the Exchange Chamber. The resolution for the next year is published in advance in the PSE Bulletin.

Article 4

Trading Procedures

- (1) Xetra® allows the following types of trading procedures:
 - a. Single auction trading;
 - b. Continuous trading;
 - c. Continuous auction;
 - d. Block trades.
- (2) Trading procedures are described in the stock exchange trading rules “III. Rules for Single Auction and Continuous Trading” and “IV. Rules for Continuous Auction” and “XVII. Rules for block trades”.

Article 5

Exchange Trading Hours

- (1) Trading hours are the period within a trading day during which orders may be entered into the trading system and trades can be executed through XETRA®.
- (2) Trading hours are divided into three consecutive phases:
 - the pre-trading phase;
 - the trading phase;
 - the post-trading phase.
- (3) The start and the end of the individual trading phases for the concrete instrument groups are determined by PSE.

Article 6

Prices

- (1) Prices are determined automatically by XETRA® and shall be deemed as exchange prices. PSE monitors the system to ensure that prices are determined in an orderly manner.
- (2) If a fair price cannot be determined, PSE determines the reference price using the following steps:
 - a) Reference prices for securities that have been newly admitted to XETRA® shall be determined by PSE.
 - b) In cases of investment shares, shares issued by investment funds and units of mutual funds where net asset value (NAV) is regularly announced, reference price is the latest NAV announced to PSE by the issuer according to the Exchange Rules part XII, Article 7 (1) (e).
 - c) In cases in which on a trading day no trades are concluded
 - in the case of an issue with a Liquidity Provider (Continuous auction) - the Liquidity Provider must enter a separate quote (“quote without turnover”) into XETRA® to

determine a reference price. The reference price is determined as the bid side of this quote.

- in the case of an issue with Market Makers (Continuous trading) – the Market Makers must enter quotes into XETRA® to determine a reference price. The reference price is determined as the arithmetic mean of the the highest bid price (buy side) and the lowest ask price (sell side).
- in the case of others issues the reference price is determined as the last price of the preceding trading day.

(3) Prices for all securities shall be given in CZK or in percentage and may contain up to two decimal places.

(4) Orders and quotes must correspond to the price intervals (tick size). Allowable minimum price intervals are determined by PSE.

Article 7 Data Processing

(1) During the exchange trading day especially the following information is published to the market:

- Emergency measures (see Article 2);
- Orders, quotes, prices, volumes and other market information concernig trading
- Important information that may affect the market.

(2) Trading data, in particular prices and relating trading volumes shall be stored in the IT system of PSE

(3) Data and information received by exchange members via XETRA® may only be used by members for their trading, clearing and settlement purposes. It is not permitted to pass on this data and/or information to third parties without the prior consent of PSE.

II. CONCLUSION OF TRANSACTIONS

Article 8 Right to Place Orders and to Conclude Transactions

(1) All exchange members of PSE in its function as securities exchange shall be entitled to place orders for their own account (proprietary) or on behalf of third parties (agent trading) into the trading system and to conclude such transactions.

(2) Only Market Makers and Liquidity Providers shall have the right to conclude transactions for their own account using quotes (see “Rules for Market Makers and Liquidity Providers“).

(3) All orders placed and transactions concluded through an input device of an exchange member shall be legally binding for such members.

Article 9 Market Making in Continuous Trading

(1) The Market Making Agreement between a member and the exchange must be signed for market making activities

(2) Market Makers enter buy and sell orders (quotes) into the trading system in Continuous trading. Market Makers are obliged to maintain orders or quotes with the minimum contract sizes

(minimum size) and maximum price spreads (maximum spread) between the buy and sell side as fixed.

Detailed specification of Market Maker's obligations is promulgated by PSE separately in the Rules for Market Makers and Liquidity Providers.

- (3) PSE defines the conditions of the obligations for Market Makers per instrument or instrument group. The minimum quotation size (minimum size), the maximum price spread between demand and supply (maximum spread) and the duration of the quotation.
- (4) In the case of a significant deviation of the PX index during the given trading day, Market Makers quotation commitment is suspended for the respective trading day. The size of the significant deviation is defined by PSE.

Article 10

Market Making in the Single Auction Procedure

- (1) In the Single auction exchange members may assume the obligation to enter binding buy and sell orders (quotes) into the system during the trading phase and to conclude trades in such orders for Market Making purposes. The buy and sell orders must be entered for both the demand and the supply side for specified minimum amounts (minimum size) and in accordance with the largest permissible price spread (maximum spread).
- (2) PSE defines the quotation commitment per instrument or instrument group. The minimum quotation size (minimum size), the maximum price spread between demand and supply (maximum spread) and the duration of the commitment are promulgated by PSE separately.

Article 11

Market Making in Continuous Auction

- (1) In the Continuous auction binding buy and sell orders (quotes) are entered by the exchange members who have agreed to act as Liquidity Providers to ensure liquidity and prevent major price fluctuations.
- (2) PSE only includes a security in the Continuous auction if there is an exchange member that has agreed to act as a Liquidity Provider for this security.

Article 12

Orders

- (1) Exchange members may enter only the following types of orders into the trading system:
 - a) Limit orders
 - b) Market orders
 - c) Market to limit orders
 - d) Iceberg orders
- (2) Orders may have any of these attributes :
 - a) Execution restrictions
 - b) Validity restrictions
 - c) Trading restrictions
 - d) Stop order

- (3) XETRA® marks all orders placed with a time stamp and assigns a transaction identification number. Orders that do not comply with the requirements shall be rejected by the system. Exchange members shall receive a confirmation of the orders placed via XETRA®.
- (4) Exchange members shall immediately receive a confirmation of the trades concluded from PSE via XETRA®
- (5) An order book is maintained for every negotiable instrument in which all orders are processed and sorted by price and time of entry. Changes to orders shall cause the time ranking of the orders to change in the order book if such changes relate to prices or other order specifications, in particular changes increasing the number of securities liable to have a negative effect on the execution of other orders.
- (6) Orders in the order book may be changed or deleted by the exchange members who entered the orders. All orders of one exchange member may be deleted upon request of that member by PSE.
- (7) PSE may have orders deleted before expiry if this step is necessary and appropriate to ensure a well-functioning securities market in the interest of the national economy or to safeguard the legitimate interests of investors.
- (8) Orders for block trades are registered separately from the order book for other trading procedures.
- (9) A further detailed specification of order types and their restriction attributes in relevant trading procedures are described in separate trading rules III. Rules for Single Auction and Continuous Trading and IV. Rules for Continuous Auction and XVII. Rules for Block Trades

Article 13 **Suspension of PSE Member Trading**

- (1) PSE suspends the trading of the given PSE member and cancels all active orders of such PSE member in case of the official requirement given by the operator of the clearing and settlement system according to the rules this operator of the clearing and settlement system. PSE acts immediately after receiving such a request.
- (2) Trading suspension applies until the operator of the clearing and settlement system informs PSE that reasons for the trading suspension of the given PSE member prevailed.

Article 14

III. FINAL PROVISIONS

Article 15 Publication of the Trading results

At the end of each trading day, the trading results are published electronically on the website of PSE and in the Exchange's premises.

Article 16 Price manipulation and market abuse

- (1) In response to the valid and effective legislation of the Czech Republic and the European Union PSE analyzes and evaluates the behavior of PSE members, especially in terms of
 - a) suspected market manipulation (especially regarding prices and trade volumes)
 - b) suspected insider trading
 - c) market transparency
- (2) These procedures are related to the PSE members business activities with securities admitted to PSE markets.
- (3) Specifications and detailed description are fixed by internal PSE rules.
- (4) Concrete findings are reported to the competent PSE supervisory authority according to the legislation.

Article 17 Cancellation of Exchange Trades

- (1) A mistake in an order during a confirmation of an exchange trade is not a reason to consider a trade as invalid. The relevant PSE member is fully bound by such trades.
- (2) The exchange trading system is setup in such a way as to prevent the confirmation of trades that are in breach of the parameters set by the exchange.
- (3) In the case of technical matching of orders contrary to PSE Rules or parameters or other generally valid legislation, this is not a validly concluded stock exchange and all information about it would be deleted from the record of closed exchange trades.

Article 18 Suspension of Trading

(1) In case of such circumstances that relate to the exchange trade subject, the security issuer, investor, member, operator of the settlement system, record on investment instruments or other persons participating in the management or provision of trade settlement or maintaining the records on the trade subject and which may

- a) influence the price creation or development of prices attained at the PSE,
- b) infringe legitimacy of conclusion or settlement of trades,
- c) damage the position or interests of the PSE,
- d) result in a breach of law, PSE rules or regulations of the settlement system,
- e) otherwise damage the issuer's or investor's interests,

and if these circumstances are subject to conditions stipulated by law, the General Director or his Deputy may suspend trading.

(2) These circumstances also include strikes, civil unrest, state of war, natural disasters or other effects of Acts of God, as well as any other technical or other events that might jeopardise, make more difficult or prevent trading or settlement of trades.

(3) Technical reasons are above all

- a) problems on the side of PSE, especially Xetra® problems,
- b) problems on the side of a person providing for trade settlement,
- c) technical problems on the side of members, especially problems connected with the trading system, when an Exchange member cannot carry out activities related to trading,

(4) No trades can be concluded during the suspension on PSE.

(5) Suspension of trading may occur no earlier than after the decision on suspension is issued unless such decision stipulates that the suspension occurs later.

(6) The General Director of PSE, or his Deputy, is authorised to issue the resolution on suspension of trading.

(7) PSE shall notify all authorised members of the Exchange on the resolution to suspend trading, using the communication system or another suitable method.

(8) Other conditions for suspension of trading with investment instruments admitted for trading in any of the PSE markets may be provided in the relevant parts of PSE rules.

Article 19 **Suspension of Trading in an Emergency Situation** **Requiring Immediate Evacuation of PSE**

(1) In case there is such an emergency that requires immediate evacuation of employees and, for justified reasons, it is not possible to wait for the decision of the General Director, the Exchange Day Manager is allowed, according to the Master Framework Agreement signed between PSE and WBAG, to instruct responsible persons from the WBAG Market operations team to suspend the trading on all markets of PSE. The Exchange Day Manager is also obliged to shut down the production server in the standard manner in order to maintain synchronization of data of the production and backup system of PSE, unless his life or health are jeopardised. An emergency situation for the purposes of such suspension is above all a natural disaster, fire, bomb terrorist attack, etc.

(2) The production server shutdown will terminate subsystems. Production and backup systems will be stabilized and synchronization of data shall be maintained. The access to Xetra® and CSD Prague systems for members connected via "Xetra® Prague Access Point" will not be possible.

(3) The Exchange Day Manager shall notify without any undue delay about selecting the option of shutting down the production server the Director of the Trading and Securities Department, the Director of the IT Department and the General Director of PSE or his Deputy who shall decide on the next procedure.

(4) After that, if the situation so allows, a statement on selecting the option of shutting down the production server is formulated and signed by all persons listed in paragraph 3. Such statement is considered to be the decision of the General Director on suspension of trading and the effect of such

decision on suspension for technical reasons is defined starting the moment of selecting the option of the production server shutdown by the Exchange Day Manager under paragraph 1.

Article 20

Temporary Interruption of Trading

In case of a malfunction of Xetra[®], equipment connected to Xetra[®], other equipment owned or used by PSE or in case of a risk that such defect might occur, the General Director of the Exchange may decide to temporarily interrupt trading for a period necessary for the removal of the defect.

Article 21

Temporary Change in the Trading schedule

(1) If circumstances occur as specified in Article 16(1)(a)-(e), or circumstances requiring technical intervention into the Xetra[®], the General Director or his Deputy may decide on a temporary change in the Trading schedule.

(2) The General Director or his Deputy may decide on a change the Trading schedule even in a case where trading was temporarily suspended according to Article 18 and 19 or trading was interrupted according to Article 20.

(3) PSE will notify all members of PSE about a resolution under paragraph 1, using the Xetra[®] communication system or another suitable method.

Article 22

Entry into Force

This Exchange Rule was approved by the Exchange Chamber and takes effectiveness from 2.1.2018.