



**Prague Stock
Exchange**

Special Regime for Disposal of Rights Attached to Securities

EXCHANGE RULES, SECTION VXIII.



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Article 1 – Application of the Special Regime

This regulation provides for the special regime applicable to the disposal of securities rights (hereinafter referred to as the "special regime") in situations where, due to suspension of settlement of an exchange trade (hereinafter referred to as "suspension"), at fault of a selling member of the Prague Stock Exchange (hereinafter referred to as the "Exchange"), the buying Exchange member has not acquired the rights or has not received delivery it would acquire or would receive deliver of if the respective exchange trade was settled in due time and in compliance with a regulation of the Exchange regulation the Exchange trading.

Article 2 – Rights Attached to Securities

- (1) For the purpose of this Regulation, qualified as right attached to a security is each of the security holder's rights incepting for the security holder if such holder is the actual holder of a security, book-entry security, or similar foreign security (hereinafter referred to as "security") on the day decisive for inception of such right (hereinafter referred to as "right").
- (2) The following rights are subject to the special regime pursuant to this Regulation:
 - a) right to income from yields on securities,
 - b) right to a repayment on nominal value of bonds,
 - c) right of pre-emption in respect of subscription for securities,
 - d) right of free of charge distribution of securities.

Article 3 – Effective Range of the Special Regime

- (1) The special regime will apply to settlement of exchange trades concluded in securities admitted to trading on the regulated market or multilateral trading facility organized by the Exchange:
- (2) The special regime does not apply to settlement of trades and to trades in securities that are not admitted to trading on any market organized by the Exchange.

Article 4 – Conditions for Compensation of the Rights

- (1) Compensation in respect of rights found out on the basis of identification of the entitlement to compensation of the right at the time of occurrence or duration of suspension, is arranged for by Centrální depozitář cenných papírů, a.s (a joint stock company, hereinafter referred to as "CDCP").
- (2) CDCP draws the data necessary for settlement of compensation rights from the information delivered to the Exchange by issuers on the basis of a separate rules regulating the admission of investment instruments to trading.
- (3) CDCP is responsible for correctness and timeliness of the information delivered by issuers.



Article 5 – Compensation of Financial Income and Repayments on Nominal Value of Bonds

- (1) At the time of suspension and inception of entitlement to payment of income and to repayments on nominal value of bonds (hereinafter referred to as "income"), CDCP informs, without undue delay, the buying member of the Exchange (hereinafter referred to as "buyer"), about the entitlement to claim (exercise) such right.
- (2) The amount of the income compensation corresponds to the amount of the income paid out by the issuer and which the buyer would obtain if the of trade settlement was not suspended, multiplied by number of undelivered securities. The same amount is collected from the seller.
- (3) If the buyer has effected a purchase for account of a client which, in accordance with statutory regulations, is considered in the Czech Republic a "tax non-resident" and which, immediately after inception of the right, applied for the provision of the income compensation at amount other than "net" amount (after tax), CDCP will arrange for transfer of the income at the required amount.
- (4) A requirement for procurement of the income referred to in clause (5) is the buyer's written request delivered to CDCP, with confirmation of tax domicile of the buyer's client forming integral part of such request.
- (5) In the case that CDCP provides simultaneously compensation of incomes from the same security at both "net" (after taxation) and "gross" (before taxation) amounts and if there are simultaneously several sellers, their shares in the total amount of the incomes compensation will be calculated in proportion to their shares in the total number of the undelivered securities.
- (6) No consideration is given to whether the incomes have or have not been obtained by the seller.
- (7) A written information on the procurement date and amount of the incomes compensation is sent by CDCP to both the seller and buyer at least three days prior to the input of the order (instruction) for clearing addressed to the Czech National Bank's Clearing Centre (hereinafter referred to as "CNB CC"). The clearing is executed in compliance with a special regulation¹.
- (8) Orders referred to in clause (7) are input within the period, during which the issuer actually executes the payment of the incomes.
- (9) Incomes which CDCP receives in the case where securities could not have been transferred to the buyer's proprietary account, due to erroneous identification of its account, will be immediately transferred by CDCP to the buyer's account in the same amount the CDCP has received.
- (10) If there is a lack of cash on seller's side, resources of the Clearing Fund of the CDCP is used.

Article 6 – Pre-emptive Subscription for Securities

- (1) Pre-emptive subscription for securities (hereinafter referred to as "pre-emptive subscription"), will only be procured by CDCP at the buyer's written request delivered to CDCP no later than one day prior to the opening of the pre-emptive subscription. If CDCP has not received the written request by the set deadline, this will qualify for a disinterest shown in the given right.

¹ CDCP Regulation "Settlement Rules"



- (2) The request pursuant to clause (1) must include details on number of securities requested, while the number of securities may not exceed the number of securities for the pre-emptive subscription of which the right would incept for the buyer if there was no suspension.
- (3) CDCP will compile a balance of the rights exercised by buyers and will distribute the rights among the buyers in proportion to the number of securities undelivered by them. Rounding down is applied as a matter of priority, while primary differences between non-rounded and primarily rounded ratios are subsequently considered. If required, exercised numbers for the largest primary differences are recalculated first.
- (4) Univyc will inform the buyer in writing about the number of securities which it is going to request for delivery under the securities subscription.
- (5) No consideration is given to whether the pre-emptive subscription could or could not have been exercised by the seller.
- (6) At the time when, according to the issuer's notice, the securities newly subscribed for are being posted to the subscribers' accounts, CDCP notifies both the buyer and seller of the day, on which the compensation for the right will be settled. At the set day, the seller is called upon to deliver the respective number of securities to account stipulated by CDCP.
- (7) Payment relating to the pre-emptive subscription is made from the buyer's account to the seller's account upon the relevant order to CNB CC is given.
- (8) After the securities have been transferred to CDCP's account, it will take care of the financial settlement pursuant to clause (7) and will transfer the securities to the buyer's securities account.
- (9) If the seller fails to deliver the securities on the set day, CDCP will arrange for an alternative purchase of the securities at the Exchange via authorized Exchange member. If, in procuring the purchase, CDCP fails, it will carry out the financial settlement. The financial settlement is based on valid prices attained at the Exchange. If the securities at the Exchange have no valid price, the valid price attained in another organized market is applied. If even such valid price cannot be fixed, nominal value of the security will be used to set the amount to be paid.
- (10) Financial difference between the price of the alternative purchase and that of the pre-emptive subscription is born by the seller as are all the expenses spent by CDCP on procurement of the compensation for this right.

Article 7 – Free of Charge Distribution of Securities

Provision of compensation in respect of a right to free of charge distribution of securities is reasonably subject to the regime referred to in Article 6, but on understanding that no financial settlement takes place in relation to the delivery of securities.

Article 8 – Fees

Fees (charges) for procurement of compensation for rights are provided by the special regulation of CDCP.



Article 9 – Effectiveness

This part of the Exchange Rules “Special Regime for Disposal of Rights Attached to Securities” was approved by the 7th, Extraordinary General Meeting of Shareholders, held on December 14th, 2000, and becomes effective on January 1st, 2001.