



BGS Bond Issuers' Guide to Continuous Trading Obligations on the BÉT Xbond Market

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1 How can we help?

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2 Who is this Guide for and what is its Purpose?

This guide is primarily intended for bond issuers participating in the Bond Funding for Growth Scheme (BGS) and for other issuers having their securities registered on the BÉT Xbond Market.

This guide details the obligations of issuers of securities registered on the BÉT Xbond market, in particular:

- What disclosure obligations apply to issuers of the BÉT Xbond Market,
- What contact rules and reporting obligations issuers must comply with,
- When issuers must request the BSE to modify the securities list,
- What other special rules should issuers consider during the continuous trading,
- What are the fees to be paid by issuers,
- When do the issuer's obligations regarding the continuous trading cease.

3 Life on the Exchange – Continuous Trading

As opposed to the project nature of the registration process, continuous trading is a constant obligation lasting for years or even for decades – therefore **the tasks pertaining to continuous trading must be integrated into the issuer's practices**. Information and circumstances that are relevant to investors should be monitored continuously and, where appropriate, necessary actions should be taken, e.g. to inform the investors or to notify the BSE under the rules on contact.

During continuous trading, issuers must always comply with:

- the law and
- regulations specified in the BÉT Xbond General Terms of Service (hereinafter referred to as: BÉT Xbond GTS).

In principle, the **issuer and the security must comply at all times with the requirements of orderly, transparent and fair trading** and must ensure not to jeopardize the interests of investors and the proper operation of the BÉT Xbond market during continuous trading.

Issuers' Obligations During Continuous Trading

During continuous trading, issuers must comply with the following obligations in particular:





4 Disclosure Obligations

The information document or prospectus prepared for the registration of bonds on BÉT Xbond a snapshot on the issuer's activities, markets, assets, and business prospects, which are subject to change. Therefore, **issuers must inform the public periodically and continuously** to provide investors with the information needed to make their decisions, thus ensuring that transparent and fair stock exchange trading is maintained.

The principle of the information obligation is to inform investors in a **non-discriminatory, fast-access, free-of-charge** manner and **as soon as possible**, through the appropriate communication channels.

The obligation to provide information also applies to issuers operating in a private form (as a limited liability company or a private company limited by shares), given that the bonds issued in the BGS program are registered on the BÉT Xbond Market (or the BSE regulated market) as a public market.

The main Elements of the Disclosure Obligations on the BÉT Xbond Market are:



The issuer must comply with its obligation to **provide information from the first trading day**, with the exception of **disclosing inside information subject to MAR**, which is obligatory for the issuer **from the submission of the registration application**.

The **issuer is solely responsible for all its disclosures** and for **the content and presentation** of the information. The issuer shall not combine its disclosures with the marketing of its activities, especially with the disclosure of inside information.

If the issuer provides information incompliant with the applicable regulations, it shall be liable for the consequences thereof.

4.1 Regular Disclosure, Disclosing Financial Statements

Subject to the BÉT Xbond GTS, the issuer must disclose:

- the **annual account** according to the Account Act
- and the related **auditor's report**



as regular information obligation within the deadline stipulated in the Accounting Act¹ (disclosing the annual report is not mandatory). If the issuer shall prepare a consolidated annual account, the above information must be disclosed regarding the consolidated annual account as well.

The issuer may also meet its obligation by disclosing the annual account prepared in accordance with IFRS.

BSE does not impose any additional regular information obligations on the issuers beyond the above.

The minimum content requirements of the annual report are determined by the Accounting Act.

Subject to the Accounting Act, simplified annual reports are not acceptable as annual reports.

4.2 Extraordinary Disclosure, Disclosing Obligations of Inside Information According to MAR

Proper handling of inside information is a top priority in the European Union's capital markets. The Market Abuse Regulation (MAR) is applicable directly and uniformly to all public markets in the EU, including BÉT Xbond.

The issuer is required to comply with its disclosure obligations by disclosing inside information under and according to MAR; inside information shall also be disclosed at the places of publication referred to in Section 4.5 of this guide.

MNB (Magyar Nemzeti Bank or Central Bank of Hungary) has the supervisory power to monitor the compliance with the regulations of MAR, in particular, the disclosure of inside information.

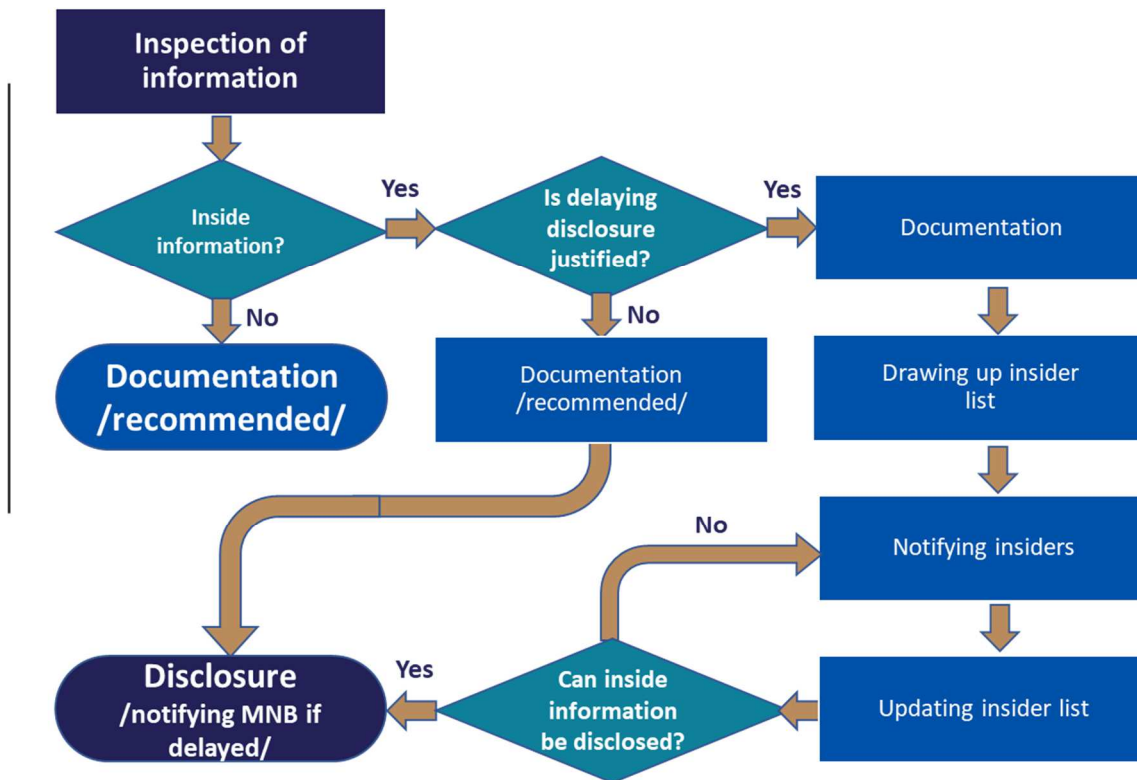
According to the BÉT Xbond GTS, **the applicable extraordinary information obligations on BÉT Xbond are identical to the disclosure obligations of inside information under MAR**, BSE does not impose any additional regular information obligations beyond the above.

Hereunder is a summary of issuers' obligations under MAR. It should be emphasized that **this summary is not exhaustive and cannot replace the study of MAR and related legislation, the guidelines of the European Securities and Markets Authority (Q&A) and the expectations of MNB.**

Recognizing and managing inside information is a key issue. In practice, this constitutes a significant task typically for equity issuers; nevertheless, the provisions of MAR also apply to bond issuers.

Therefore, all bond issuers present on the BÉT Xbond must establish processes in this regard to identify and properly handle inside information, for example, as follows:

¹ The deadline for the deposit obligation is the end of the fifth month following the balance sheet date in the case of individual annual accounts and the end of the sixth month following the balance sheet date in the case of consolidated accounts.



Inside Information

Inside information is the key definition of MAR, which means: **information of a precise nature**, which relates to the issuer or to the securities, and **which, if it were made public, would be likely to have a significant effect on the prices of those securities**. The effect on the prices of securities shall be deemed significant if **a reasonable investor would be likely to use it as part of the basis of his or her investment decisions**. Information is of a **precise nature** if it indicates a set of circumstances which exists or which may reasonably be expected to come into existence, or an event which has occurred or which may reasonably be expected to occur, where it is specific enough to enable a conclusion to be drawn as to the possible effect of that set of circumstances or event on the prices of bonds.

As to which information qualifies as inside information regarding a BÉT Xbond bond issuer, it can be decided by the characteristics of the issuer and all the circumstances specific to the case. In the absence of a specific case, only an illustrative list can be provided of such circumstances. Although it does not apply to BÉT Xbond issuers, the 24/2008 PM Decree may provide guidance, as its Annex 4 Section 1 and – regarding bond issuers – Section 3 contain certain cases which also meet the above definition of inside information (i.e.: they may have a significant effect on the price of the security). Thus, inside information may be, in particular, a change in credit rating, a significant change in risk factors, possible bankruptcy, liquidation proceedings, or any circumstance or decision that would result in a material change in the issuer's financial condition and its disclosure could have a significant effect on the bond price.

Disclosure of Inside Information, Delaying the Disclosure

As a general rule regarding the disclosure of inside information, **the issuer shall inform the public as soon as possible of the inside information** that directly concerns that issuer (MAR Article 17 (1)).

An issuer may choose not to disclose the inside information promptly and to delay the disclosure to the public **provided that the issuer complies with the conditions regarding the delaying of disclosure** (MAR Article 17 (4)).



Detailed rules on the disclosure of inside information and the circumstances of the delay are stipulated in Commission Implementing Regulation (EU) 2016/1055.

In case of delaying the disclosure of inside information, the issuer shall draw up a **list** of all persons with access to the inside information (MAR Article 18).

The detailed rules for drawing up the insider list are contained in Commission Implementing Regulation (EU) 2016/347, which is supplemented by ESMA's guidelines.

In case of delaying the disclosure of the inside information, the issuer shall notify the MNB about delaying the disclosure immediately after the information is disclosed to the public and shall explain how the conditions of delaying the disclosure are met (MAR Article 17 (4)).

Other Provisions of MAR

In addition to the above, during a new issuance of bonds, BÉT Xbond issuers should pay attention, if applicable, to polls (market sounding) (MAR Article 11), to the transactions of managers who directly or indirectly acquire bonds (MAR Article 19), and to other provisions of MAR.

Pursuant to Article 19 of MAR, persons discharging managerial responsibilities, as well as persons closely associated with them (in particular, the legal entities in which the manager provided by or is under the direct or indirect control of such persons), shall notify the issuer and the competent authority of all transactions with the issuer's bonds concluded by them.

Detailed rules for the notification of managers' transactions are contained in Commission Implementing Regulation (EU) 2016/523, supplemented by ESMA's guidelines.

4.3 Provision of Other Information

Provision of other information includes disclosures that provide general information to investors about the issuer, their contact information and about the security, and do not constitute regular or inside information.

The issuer shall inform the public in one trading day of:

- changes in the contact details of the issuer and in the person of the employee or representative responsible of investor relations;
- admission to trading its securities on another multilateral trading platform or regulated market;
- the interest rate set for the next interest period of floating rate debt securities on the day of setting the interest rate, or at the latest by 3 pm on the trading day before the start of the interest period, of which the BSE must be informed by filling in and sending the specified form.

The public shall be informed within one day of the decision or 15 days before the date of effect of:²

- the repayment, redemption and last interest payment concerning the listed securities, as well as the possible non-fulfillment of the above and the reasons thereof (if it does not qualify as inside information);
- the exercise of redemption, conversion, subscription or cancellation rights in respect of the securities;
- Changes in the rights of securities, including changes in the terms and conditions of such securities, which may indirectly affect these rights and which result primarily from changes in credit terms or interest rates.

² According to the new version of the BÉT Xbond GTS entering into force shortly



4.5 Language

The issuers of the bonds may choose which of the languages generally accepted by MNB, i.e. Hungarian and/or English, they wish to use to fulfill their information obligations. Naturally, any issuer may choose to disclose their publications in both languages on a voluntary basis; however, it must then be applied to all disclosures.

Prior to BÉT Xbond registration, the issuer must publish the language in which it intends to make its disclosures.

4.6 Places of Disclosure

In the case of the BÉT Xbond, the places of disclosure are listed in Section 18.1 of Book II of the GTS, according to which:

- all disclosures must be sent to the officially designated information storage system (OAM), i. e. – www.kozzetetelek.mnb.hu, operated by the MNB in Hungary;
- the issuer must publish them on its own website;
- they must be sent to the KIBINFO system operated by the BSE.

The image shows a composite of three screenshots illustrating the disclosure process. On the left is the 'KÖZZÉTÉTELEK.HU' website with a menu for 'TŐKEPIACI KÖZZÉTÉTELEK'. In the center is a table of 'KIBOCSÁTÓI HÍREK' (Issuer News) with the following entries:

Company	Event	Date
OTP Bank Nyrt.	Vezetői feladatokat ellátó személyi tranzakciója	2019. dec. 06. 08:06
Magyar Telekom Nyrt.	A Magyar Telekom módosítja irányítási struktúráját	2019. dec. 06. 08:00
Magyar Telekom Nyrt.	Változás a Magyar Telekom felsővezetésében	2019. dec. 06. 08:00
FuturAqua Nyrt.	Tulajdonosi struktúra	2019. dec. 05. 19:48
FuturAqua Nyrt.	Tulajdonosi bejelentések - bennfentes személyek részvénytranzakciói	2019. dec. 05. 19:46

On the right is the 'BÉT KIBINFO' login screen with a 'Login via BSE portal' button. An arrow points from the KIBINFO screen to a dark blue box labeled 'Issuer's website'.

While fulfilling its disclosure obligations, the issuer must also comply with the provisions of:

- Resolution No. 300/2019 of the CEO of the Budapest Stock Exchange Ltd., i. e. the Publication Guide;
- the KIBINFO Users Manual;
- the Commission Implementing Regulation (EU) 2016/1055 when fulfilling inside information disclosure or disclosure on own website.



4.8 Disclosure Obligation on the BÉT Xbond – Summary

Disclosure obligations	BÉT Xbond
Regular information (financial statements)	Annual account and auditor's report according to the Accounting Act Usually 31 May, consolidated account: 30 June
Extraordinary information	No special or additional rules on BÉT Xbond GTS
Disclosing inside information (MAR)	All information that might have a significant effect on the prices of the securities according to MAR. <i>Monitored by the supervisory authority!</i>
Other information	Contacts, change of investor relations contact, repayment, redemption change in rights, next interest rate of a floating rate bond
Language	Language accepted by the supervision: English, Hungarian
Places of publication	MNB information storage system www.kozzetetelek.mnb.hu Issuer's own website BSE KIBINFO system

5 Contact and Reporting Obligations

The issuer must ensure to meet the conditions of contact stipulated in the BÉT Xbond GTS regarding the personal and material requirements and to notify the BSE of any changes thereof in order for the registered security to meet the expectations of orderly, transparent and fair trading.

Contact with the Exchange

- **The issuer must appoint at least one person to maintain contact** with the BSE and investors. If the contact person or contact details change, the issuer must notify the Exchange and disclose this information.
- The issuer may send documents and notices to the Exchange by post, courier, fax or e-mail. In justified cases, the Exchange may request a signed original or electronically signed document – this applies, for example, to the documents regarding the procedures of the registration or securities list modification.
- **If BSE contacts the issuer, the issuer must reply generally within 8 trading days.** The Exchange may set a different deadline depending on the nature of the case.



- On trading days, the issuer **must answer telephone calls made by BSE** on the phone number previously given by the issuer, and shall ensure to maintain the receipt of items sent to its mailing address.
- If the issuer is **unable to meet its obligations regarding continuous trading** for any reason, it shall **notify the Exchange** immediately.
- If the issuer holds a **press conference or media briefing**, it must invite the Exchange and send the press materials.

6 Obligation regarding the Request of Amending the Securities List

During continuous trading, the parameters of the listed security or the relevant data of the issuer are subject to change for several reasons. Three main cases are distinguished:

- subsequent issues;
- reducing the registered quantity;
- other.

The issuer shall request the amendment of the securities list immediately, but **not later than within 90 days** after the date of the occurrence (entry into force) of the circumstance giving rise to the change.

6.1 Subsequent issues

If the issuer issues new bonds bond belonging to the same series as its already registered securities, **it shall apply for the registration of the new bonds on the BÉT Xbond market**. This process is concluded under the rules of the **simplified registration procedure**.

In the case of subsequent issues, as a general rule, the condition for registration is the disclosure of an information document. However, no information document is required³ – among others – **if the new bonds issued are less, over a period of 12 months, than 20 % of the number of securities already admitted to trading in the same registered securities series**.

6.2 Decrease in the Registered Quantity

If the quantity of registered securities **decreases**, the **issuer must initiate the amendment of the BÉT Xbond securities list**.

6.3 Other

If there is a change in the data of the bonds represented in the securities list (BÉT Xbond GTS Second Book, Section 2.2), **the issuer shall request from the BSE the amendment of the securities list** with respect to the modified data with the exception stipulated in Sections 5.1. and 5.2.

³ Information document is not required for BÉT Xbond registration in the cases specified in Subparagraphs a) -i) of Paragraph (5) of Article 1 of Regulation (EU) 2017/1129.



7 Continuous Trading Fees

The annual **continuous trading fee** of the bonds on the BÉT Xbond is **0.01% of the total face value of the registered securities**.

Discounts on the continuous trading fee:

- In case of an **issue program**, a discount of 50%;
- **“New market” discount** on BÉT Xbond in 2020: 50%.

The **discounts can be combined**.

The continuous trading fees are determined **quarterly, retrospectively** equal to the time-proportionate annual fee.

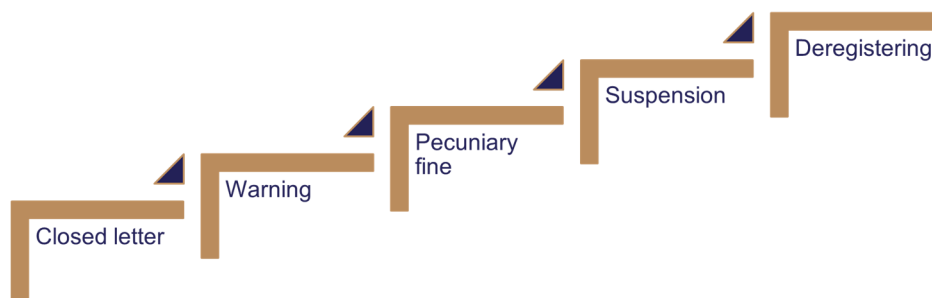
Details of the fee payment are included in the Schedule of Fees of the BÉT Xbond Multilateral Trading Facility.

8 Sanctions

If the issuer fails to comply with the provisions of the BÉT Xbond GTS, BSE may impose the following sanctions on the issuer, based on a graduated approach and considering the severity of such violation:

- **Closed letter:** This is step “zero”, BSE’s informal, proactive tool, with which BSE privately notifies the issuer if it has committed a minor violation of the regulations.
- **Warning:** Applicable for minor violation of the regulations, e.g. shorter payment delays, which is disclosed on BSE’s website.
- **Pecuniary Fine:** In case of a material or recurring breach of the regulations, BSE may impose a penalty of HUF 100,000 to HUF 5,000,000.
- **Suspension of trading:** BSE applies this sanction if the maintenance of trading may be detrimental to the interests of investors or jeopardize the orderly functioning of the market or ensuring the transparent and fair trading in the bond is uncertain.
- **Deregistration:** It is the most severe sanction meaning the deletion of the bond from the BÉT Xbond securities list. BSE applies this sanction in the case of a particularly serious, repeated violation of the rules, when the milder sanctions proved insufficient or if the security has been suspended for more than 6 months.

The BSE issuer sanctions are summarized in the figure below:



In case of infringement on MAR regulations, MNB may impose sanctions stipulated in the Capital Market Act.



9 Hungarian and EU Legislation, BSE Regulations, Guidelines

Hungarian Legislation

- **Act CXX of 2001** on the Capital Market
<https://net.jogtar.hu/jogszabaly?docid=A0100120.tv&dbnum=62&getdoc=1>
- **24/2008. (VIII. 15.) Decree of the Minister of Finance** on the Detailed Rules of the Disclosure Obligation related to Publicly Traded Securities
<https://net.jogtar.hu/jogszabaly?docid=a0800024.pm>
- **Accounting Act: Act C of 2000 on accounting**
<https://net.jogtar.hu/jogszabaly?docid=A0000100.tv&dbnum=62&getdoc=1>

EU Legislation

- **MAR**
Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0596&from=EN>
- **MAR 2016/347 ITS**
COMMISSION IMPLEMENTING REGULATION (EU) 2016/347 of 10 March 2016 laying down implementing technical standards with regard to the precise format of insider lists and for updating insider lists in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0347&from=HU>
- **MAR 2016/1055 ITS**
COMMISSION IMPLEMENTING REGULATION (EU) 2016/1055 of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R1055&from=EN>
- **MAR 2016/523 ITS**
COMMISSION IMPLEMENTING REGULATION (EU) 2016/523 of 10 March 2016 laying down implementing technical standards with regard to the format and template for notification and public disclosure of managers' transactions in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0523&from=EN>
- **MAR 2016/960 RTS**
COMMISSION DELEGATED REGULATION (EU) 2016/960 of 17 May 2016 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the appropriate arrangements, systems and procedures for disclosing market participants conducting market soundings
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0960&from=GA>
- **MAR 2016/959 ITS**
COMMISSION IMPLEMENTING REGULATION (EU) 2016/959 of 17 May 2016 laying down implementing technical standards for market soundings with regard to the systems and notification templates to be used by disclosing market participants and the format of the records in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0959&from=EN>
- **MAR 2016/522 RTS** (Articles 7 and 10)
COMMISSION DELEGATED REGULATION (EU) 2016/522 of 17 December 2015 supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council as regards an exemption for certain third countries public bodies and central banks, the indicators of market manipulation, the disclosure thresholds, the competent authority for notifications of delays, the permission for trading during closed periods and types of notifiable managers' transactions
<https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016R0522&from=EN>
- **ESMA (European Securities and Markets Authority) guidelines regarding MAR**
<https://www.esma.europa.eu/regulation/trading/market-abuse>

BSE Rules



<https://bse.hu/Products-and-Services/Rules-and-Regulations/BSE-Rules>

- General Terms of Service of the BÉT Xbond Market (only in Hungarian)
- Schedule of Fees of the BÉT Xbond Multilateral Trading Facility (only in Hungarian)
- Publication Guide: CEO Resolution No. 300/2019 of the BSE
- KIBINFO users manual