

Ref: New functionalities in BSE's equity trading and amendment to the Code of Trading

March 18, 2011

Dear All,

On the weekend of April 8, 2011 new versions of MMTS I Trader Workplace and K2 server shall be installed. Therefore **as of April 11, 2011**, official version of MMTS I TW shall be the one with **BSE_3.2.42.18 version** number. From functional point of view there are no changes in MMTS I TW, only the background process of price validation is enhanced. Reset of workspaces in use are not obligatory by implementing the new TW software, however it is recommended by the Exchange.

MMTS II TW software shall not be changed along with this release.

As of April 11, **important changes** shall be introduced in the equity trading model: **equilibrium price trading** following un-suspension of an equity's trading. These changes are also incorporated in the BSE's Code of Trading published on April 7.

Outline of changes

Exchange has the right to suspend trading of a security (eg. upon Issuers request) in cases specified in the BSE's Regulations for Listing and Continued Trading and Disclosure. When reason for suspension ceases to exist, trading shall be restored, entering into equilibrium price trading within free trading period. Price matching, following an order collection period takes place according to equilibrium algorithm, already known and applied in the opening and closing period of trading.

It is important to emphasize that equilibrium price trading does not affect trading halts due to 10% transaction price movements. In such cases the so far adopted routines remain valid: trading - following a few minutes halt - is resumed with continuous matching based on price and time priority.

Important rules of equilibrium price trading:

- there are three transitions:
 - a) order collection
 - b) matching
 - c) order cancellation;
- order collection is 5 minutes long and it is followed by a one-minute matching and one-minute order cancellation period;
- only Limit and Any orders are accepted during order collection along with any kind validity except 'Immediate';
- STOP and All-or-None orders are not in the order book during equilibrium price trading, so they cannot be amended only cancelled;
- equilibrium price matching algorithm is used as matching algorithm, no order amendment and cancellation is allowed during this one-minute long transition;
- any kind of orders can be cancelled following matching in a one-minute long period, order entry and order amendment is restricted;
- at the end of all three equilibrium price transitions, trading resumes according to normal, continuous order matching. Please note that Stop orders which can be triggered based on the transac-

tion price calculated during equilibrium matching shall become active and open orders in the order book immediately as continuous trading resumes;
Equilibrium price trading is adopted only in Equities section for any kind of security, except structured products (certificates), if trading is suspended by the Exchange and resumed in the free trading session.

The BSE provides testing possibility for the new feature in the simulation environment. Between April 4-8, 2011, twice daily a security shall be suspended and un-suspended according to the following schedule:

| Time | Equity | Transition |
|---------------|--------|--|
| 10.45 - 11.00 | FHB | trading is suspended |
| 11.00 | FHB | trading resuming, start of order collection |
| 11.05/11.06 | FHB | matching, randomly within 1 minute |
| 11.06 - 11.07 | FHB | order cancellation |
| 11.07 | FHB | continuous trading, normal price-time matching |

| Time | Equity | Transition |
|---------------|--------|--|
| 14.15 - 14.30 | BOOK | trading is suspended |
| 14.30 | BOOK | trading resuming, start of order collection |
| 14.35/14.36 | BOOK | matching, randomly within 1 minute |
| 14.36 - 14.37 | BOOK | order cancellation |
| 14.37 | BOOK | continuous trading, normal price-time matching |

Should you need further information for functional issues pls. contact Mrs. Beatrix PITTNER (phone: 36/1/429-6791, mail: pittnerb@bse.hu) or Mr. Balázs SZÁNTÓ (36/1/429-6787,mail: szantob@bse.hu). For technical details on the K2 installation please feel free to contact our Technical Help Desk, Mr. András POLLÁK (phone: 36/1/429-6762, mail: pollaka@bse.hu), TW installation questions can be directed to Mr. Viktor VARGA (phone: 36/1/429-6746, mail: vargav@bse.hu).

Sincerely,

BSE Trading Division