

PRODUCT INFORMATION

STOCK EXCHANGE SPOT TRANSACTIONS

GLOBAL MARKETS DEPARTMENT OF OTP BANK PLC.

May 04, 2020

Please read this Product Information carefully before concluding a contract on stock exchange spot transactions. For further information, please contact our staff.
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TABLE OF CONTENTS

1. Description of spot stock exchange transactions	2
2. Main concepts of stock exchange spot transactions	3
3. Stock exchange spot transaction.....	6
4. Summary of the advantages and disadvantages of stock exchange spot transactions.....	10
5. Miscellaneous information	11
6. Notices and disclaimers.....	13

1. Description of spot stock exchange transactions

The stock exchange is a place of business where exchange-traded instruments are bought and sold under fixed rules promoting the open development of prices. The strict rules of the stock exchange guarantee the safety of trading. Only members of the stock exchange can engage in deals on the stock exchange; the conditions of exchange membership are defined by the Exchange Rules. Exchange members must be adequately prepared and capitalised enterprises that adhere to the rules of the stock exchange and pay the membership fee. Private individuals and companies can engage in trading through intermediary exchange members based on the service contracts concluded with them.

Typical customer base

Stock exchange spot transactions enable the customer both to take extremely high-yield but riskier positions and invest in lower-risk instruments with lower expected return.

Before concluding a contract on exchange-traded transactions, please obtain information regarding the rules applicable to the given stock exchange, clearing house and central counterparty.

2. Main concepts of stock exchange spot transactions

Features

A stock exchange spot transaction is a standardised agreement between OTP Bank Plc. (hereinafter: Bank) and the customer with the following main features:

- name of stock exchange: BSE, Deutsche Börse and, through the Execution Partner, any other stock exchange of the world to which the Bank undertakes to forward the order
- method of order: buy/sell
- name of product: bond, share, currency, index, commodity instrument
- quantity of product: contract and number
- type of order: limit, market, iceberg and any other special orders accepted by the stock exchange
- order parameters: stop market, stop limit and any other order conditions accepted by the stock exchange
- order size: whole, part
- price
- validity
- costs and commissions

Trading Models

The phases of trading may vary even within the same stock exchange, depending on the model in which the given product is traded on the given stock exchange:

- continuous trading with auctions
- trading with auctions
- continuous auction trading

Before concluding a contract on exchange-traded transactions, please obtain information regarding the special rules applicable to the given stock exchange, clearing house and central counterparty.

Method of orders

- Buy order: the customer places an order to purchase a financial instrument. The buy order will only be executed if the amount payable for the instrument and the amount sufficient to cover the transaction costs are available on the customer's bank account/securities account.
- Sell order: the customer places an order to sell a financial instrument. The sell order will only be executed if the instrument and the amount sufficient to cover the transaction costs are available on the customer's bank account/securities account. The customer can also sell certain securities for a short term ("Short selling"). In such cases, the customer must ensure the availability of the security by borrowing it, and upon closing the position, he will have to buy it back.

Order types

- Limit order: the customer must place its buy/sell orders by defining a specific price known as the limit price. The given limit price ensures that the order is executed at the specified price or better.
- Market order: an order placed without a price, which can be executed by pairing the counter-offers in the order book, even at different prices and through several contracts. In the "continuous trading with auctions" model, market orders can only be placed "now", whereas in the "trading with auctions" and "continuous auction trading" models there are no restrictions on the timeframe in which the order can be executed, i.e. the uncommitted portion of the order remains in the order book as a market order.
- Iceberg order: when placing the buy/sell order, the customer must define the full quantity of the order – that cannot be seen in the order book – and the partial lots seen in the order book.

The list of order types is not exhaustive. Before concluding a contract on exchange-traded transactions, please obtain information regarding the special rules applicable to the given stock exchange, clearing house and central counterparty.

Order parameters

- Stop Market order: A Stop Market order is a conditional order which, in most trading models, automatically becomes a market order if a contract is concluded at the stop price or better after placing the order. In the "continuous auction trading" model, however, the stop market

order is triggered by a counterparty market maker instead of a transaction.

- Stop Limit order: A Stop Limit order is a conditional order that automatically becomes a limit order if a contract is concluded at the stop price or better after placing the order.

The list of order parameters is not exhaustive. Before concluding a contract on exchange-traded transactions, please obtain information regarding the special rules applicable to the given stock exchange, clearing house and central counterparty.

Validity of the offer

The validity of the order may vary depending on the stock exchange. If the validity of the order is not defined specifically, based on the Sales Terms and Conditions of OTP Bank Plc.'s Global Markets Department, the temporal validity of the order is deemed to be the same day.

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Execution

The trade can only be concluded on trading days, during the business hours of the stock exchange. The settlement of exchange transactions may be performed by the exchange itself or by independent clearing houses.

3. Stock exchange spot transaction Sample

Multiple orders – One strategy

The customer places a buy order in the form of a daily limit order for 5,000 MOL shares at a price of HUF 3,050, because he expects a strengthening in the market in response to a positive news item. On the BSE, 1,500 shares are being offered for sale at an offered price of HUF 3,040, which means that the order is partially filled at a price of HUF 3,040.

TRANSACTION PARAMETERS	
Stock exchange	BSE
Method	Buy
Product	MOL Plc. share (Bloomberg: MOL HB Equity)
Quantity	5,000 shares
Type of order	Limit price
Size of order	Partial
Price	HUF 3,050
Validity	Day

Thereafter, the customer places a limit price sell order valid until further notice at HUF 3,300 and he also places a stop price sell order valid until further notice at HUF 2,800, which is intended to limit the customer's potential losses.

The product is presented according to different stock price scenarios:

1. The price of MOL shares changes as expected, i.e. it rises in the future.
2. The price of MOL shares will decline in the future.
3. There will be an extreme rise in the price of MOL shares in the future.
4. There will be an extreme fall in the price of MOL shares in the future.

If the customer buys MOL shares and the share price increases, the customer may realise a capital gain upon the closure of the position. At the same time, however, the customer may similarly incur a loss if the share price declines.

1. The price of MOL shares changes as expected

Rising exchange rates

MOL spot price upon contract conclusion: HUF 3,050

MOL spot price at the end of the 2nd month: HUF 3,200

MOL spot price at the end of the 5th month: HUF 3,350

- **Example for the execution of the order:**

Upon contract conclusion, the customer purchased MOL shares for HUF 3,050 each, which – if his expectations about stock price movements hold true – are sold at HUF 3,300 5 months after contract conclusion when the customer's limit order is executed.

Pre-tax result of the transaction:

$$(3,300 - 3,050) * 5,000 = \text{HUF } 1,250,000$$

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

- **Example for cancelling the order at the end of the 2nd month:**

Upon contract conclusion, the customer purchased MOL shares for HUF 3,050 each, which – if the customer's expectations about stock price movements hold true – he can sell at HUF 3,200 2 months after contract conclusion, upon the cancellation of his limit order.

Pre-tax result of the transaction:

$$(3,200 - 3,050) * 5,000 = \text{HUF } 750,000$$

- **Example for the collateral requirement:**

The sell order will only be executed if the instrument and the amount sufficient to cover the transaction costs are available on the customer's bank account/securities account.

2. The price of MOL shares declines

MOL spot price upon contract conclusion: HUF 3,050

MOL spot price at the end of the 3rd month: HUF 2,800

- **Example for the execution of the order:**

Upon contract conclusion, the customer purchased MOL shares for HUF 3,050 each, which – in the event of a decline in the share price – the customer sells at HUF 2,800 3 months after contract conclusion when his limit order is executed.

Pre-tax result of the transaction:

$$(2,800 - 3,050) * 5,000 = \text{HUF } -1,250,000$$

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

- **Example for the collateral requirement:**

The sell order will only be executed if the instrument and the amount sufficient to cover the transaction costs are available on the customer's bank account/securities account.

3. Extreme rise in the price of MOL shares

MOL spot price upon contract conclusion: HUF 3,050

MOL spot price at the end of the 1st month: HUF 3,300

- **Example for the execution of the order:**

Upon contract conclusion, the customer purchased MOL shares for HUF 3,050 each, which – in the event of an extreme rise in the share price – the customer sells at HUF 3,300 1 month after contract conclusion when his limit order is executed.

Pre-tax result of the transaction:

$$(3,300 - 3,050) * 5,000 = \text{HUF } 1,250,000$$

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

- **Example for the collateral requirement:**

The sell order will only be executed if the instrument and the amount sufficient to cover the transaction costs are available on the customer's bank account/securities account.

4. Extreme fall in the price of MOL shares

MOL spot price upon contract conclusion: HUF 3,050

MOL spot price in the middle of the 1st month: HUF 2,800

- **Example for the execution of the order:**

Upon contract conclusion, the customer purchased MOL shares for HUF 3,050 each, which – in the event of an extreme fall in the share price – the customer sells at HUF 2,800 half a month after contract conclusion when his limit order is executed.

Pre-tax result of the transaction:

$$(2,800 - 3,050) * 5,000 = \text{HUF } -1,250,000$$

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- **Example for the collateral requirement:**

The sell order will only be executed if the instrument and the amount sufficient to cover the transaction costs are available on the customer's bank account/securities account.

From the perspective of the customer, a customer with a sell order will face the biggest risk in case of an extreme fall in the share price. Current estimates are based on a one-off, market stress induced change in the price, and do not imply a maximum limit for the potential capital loss arising from the transaction.

4. Summary of the advantages and disadvantages of stock exchange spot transactions

Main advantages of the transaction

- In case of favourable market developments, under the terms of stock exchange spot transactions customers can benefit from favourable changes in the price of the instrument traded on the stock exchange.
- Through the Bank the customer gains access to numerous markets and products worldwide.
- The strict rules of the stock exchange guarantee the safety and transparency of trading.
- Provided that it is available for the given instrument, the market maker system ensures continuous liquidity at low cost, enabling investors to shape their portfolios efficiently.

Main risks of the transaction

- In case of unfavourable market movements, the customer may lose his entire investment and sustain unlimited capital losses.
- Some stock exchanges and/or clearing houses set the applied charges/commissions unilaterally; i.e. the costs may change between the buy and sell date of the instrument.
- Capital gains achieved on the transaction are reduced by the brokerage fee charged by OTP Bank Plc., the prevailing rates of which are specified in the List of Conditions annexed to the Sales Terms and Conditions of OTP Bank Plc.'s Global Markets Department.

5. Miscellaneous information

Prerequisites for entering into stock exchange spot contracts

- Agreeing to the Sales Terms and Conditions of OTP Bank Plc.'s Global Markets Department, concluding the attached Global Markets Framework Agreement with the Bank and signing any other required documents
- Concluding agreements for bank accounts and securities accounts denominated in the settlement currency of the transaction
- Posting collateral as specified by the Bank
- Providing all data required for obtaining preliminary information pursuant to Act CXXXVIII of 2007 on Investment Firms and Commodity Dealers, and on the Regulations Governing their Activities (hereinafter: Act on Investment Firms), and filling out the fitness/compliance test prescribed by the Act on Investment Firms

Guarantees linked to stock exchange spot transactions

Coverage available under the National Deposit Insurance Fund (OBA) and the Investor Protection Fund (BEVA) is not applicable to stock exchange spot transactions.

Fees and charges related to stock exchange spot transactions

OTP Bank Plc. charges a brokerage fee on stock exchange spot transactions, the prevailing rates of which are specified in the List of Conditions annexed to the Sales Terms and Conditions of OTP Bank Plc.'s Global Markets Directorate. The margin applied by OTP Bank Plc. does not include any other indirect costs (e.g. fee, commission, tax, account management) related to the acquisition and holding of the financial instrument or to the conclusion, maintenance and performance of the contract.

Tax implications of stock exchange spot transactions

OTP Bank Plc. makes the tax payments prescribed by prevailing regulations for the payment agent, which may involve liabilities of various degrees, depending on the taxation law status of the beneficiary (e.g. tax residency) and the legal title of income earning. In performing its tax payment obligations as a payment agent, OTP Bank Plc. issues a voucher on the payment and, as required by law, calculates, deducts, pays and issues a tax return on the tax liability on the payment, and fulfils its reporting obligation with respect to the payment toward the tax authority. Please note that adequate information regarding the tax treatment or the tax implications may only be provided in consideration of the individual circumstances of each customer and may be subject to change in the future.

Before concluding a contract on exchange-traded transactions, please obtain information regarding the taxation rules applicable to income from exchange-traded transactions.

Miscellaneous information

For further general information please refer to OTP Bank Plc. Uniform Prior Information, the Sales Terms and Conditions of the Global Markets Department of OTP Bank Plc. and the announcements attached thereto, the Global Markets Framework Agreement and the List of Conditions, the Investment Services Division Business Regulations, the Information for Clients on MiFID, the General Information on Short Selling, the EMIR Announcement and any other notices referenced therein as well as Annexes thereto, all of which are accessible at the Bank's website at <http://www.otpbank.hu> or are available upon request at the branches of OTP Bank Plc.

6. Notices and disclaimers

1. This product information is complete with the following documents of OTP Bank Plc. as inseparable annexes hereto:

- Preliminary Announcement on certain Global Markets services rendered by at the Global Markets Department of OTP Bank Plc.; individual product information materials and any documents attached thereto along with all referenced business terms and notices;
- Uniform Prior Information;
- Information for Clients on MiFID;
- General Information on Short Selling;
- Announcement on compliance with certain provisions of the EMIR – in respect of investment services;
- Sales Terms and Conditions of OTP Bank Plc.'s Global Markets Department, documents attached thereto along with all referenced notices, Global Markets Framework Agreement along with any other relevant and required documents;
- Investment Services Division Business Regulations along with any other business terms and notices referenced therein, as well as annexes thereto;
- General Business Terms and Conditions of OTP Bank Plc. and documents attached thereto along with all referenced notices;
- Prospectuses, base prospectuses, notices, as well as regular and extraordinary announcements published by the issuer or the broker in relation to individual financial instruments.

Please read all of the above documents and any other notices referenced or indicated therein in order to ensure that you can make informed decisions, in full awareness of all information pertaining to the transactions presented in this Product Information. Moreover, before making an informed decision about the use of the investment or the service, please be advised to carefully consider the subject and risk of your investment, the associated fees and charges and the possibility of potential losses, and to obtain information regarding the tax regulations pertaining to the product or the investment. Prices of financial instruments and securities are subject to change. Spot trades are transacted at the current exchange rate, which may involve a capital loss.

2. The publication of this Product Information and its transfer to customers do not constitute an offer, investment advise, tender notice, investment consulting, investment or financial analysis, solicitation for the purchase of any financial instrument, or any other kind of advice on legal, tax, or accounting issues, and the data provided herein are provided for informational purposes, intended solely as the provision of advance information to OTP Bank Plc.'s current and future customers as required by law. The contents of this information document are limited to general information and knowledge and as such, it disregards the unique or specific needs of individual customers and their willingness and ability to take risk; therefore, in case of any questions, please contact our staff or refer to your bank consultant before making an investment decision. Should you require investment advice from OTP Bank Plc. prior to making your decision, please contact our staff with a view to concluding an investment counselling agreement and making the necessary statements (particularly a suitability test).

3. Each investment carries certain risks that can affect the outcome of the investment decision, and investors may not necessarily realise their expected investment goal or recover their cost of the investment; accordingly, some or all of the invested capital may be lost, and may also incur additional payment obligations.

4. Before entering into a contract for the execution of the transaction contained in this Product Information, OTP Bank Plc. will provide detailed information in respect of the transactions regarding their risks, market position, volatility and any limitations that may apply to market entry, changes in prices, as well as any other information relating to the transactions contained herein.

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