

RULES
FOR REFERENCE BANKS
AND THE CALCULATION (FIXING) OF REFERENCE
INTEREST RATES (PRIBID and PRIBOR)

May 2006

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Article 1 Definitions

For the purposes of the Rules for Reference Banks and the Calculation (Fixing) of Reference Interest Rates (PRIBID and PRIBOR) (hereinafter referred to as the “Rules”), the following definitions shall apply:

- a) “reference bank” shall mean a bank which has been assigned the status of reference bank pursuant to Article 2 of the Rules and submits data for the calculation of the PRIBID and PRIBOR reference rates;
- b) “quotation” shall mean the price at which a reference bank is willing to purchase an interbank deposit from another reference bank (the bid side of the quotation) or to sell an interbank deposit to another reference bank (the offer side of the quotation) in compliance with the standard trading rules;
- c) “calculation agent” shall mean an organisation authorised by the Financial Markets Association of the Czech Republic (A.C.I.) (hereinafter referred to as the “Czech Forex Club”) to calculate (fix) and disclose the PRIBID and PRIBOR reference interest rates;
- d) “PRIBID” (Prague Interbank Bid Rate) shall mean the reference interest rate on the interbank deposit market calculated (fixed) by the calculation agent for the Czech Forex Club from the quotations of reference banks for the purchase of deposits (bid) according to the algorithm given in Article 6 of the Rules;
- e) “PRIBOR” (Prague Interbank Offered Rate) shall mean the reference interest rate on the interbank deposit market calculated (fixed) by the calculation agent for the Czech Forex Club from the quotations of reference banks for the sale of deposits (offer) according to the algorithm given in Article 6 of the Rules.

Article 2 Assignment of the status of reference bank

(1) A written application for the status of reference bank shall be sent by a bank to the Czech Forex Club.

(2) The Czech Forex Club shall decide on the assignment of the status of reference bank within 30 days of receipt of the application. The Czech National Bank may express its disagreement with the Czech Forex Club’s decision. The assignment of the status of reference bank shall be discretionary and the Czech Forex Club shall not be obliged to give reasons for rejecting an application.

(3) The applicant shall be notified in writing of the decision on the assignment of the status of reference bank.

Article 3 Withdrawal of the status of reference bank

(1) The Czech Forex Club may withdraw the status of reference bank from a reference bank after consultation with the Czech National Bank:

- a) at the request of the reference bank;
- b) if the standard trading rules (The International Code of Conduct and Practice for the Financial Markets) have been grossly or repeatedly violated;
- c) in the case of non-compliance with Article 4 (3).

(2) The withdrawal of the status of reference bank shall be decided on by the Czech Forex Club. The Czech National Bank may express its disagreement with the Czech Forex Club's decision.

(3) The bank shall be notified in writing of the decision on the withdrawal of the status of reference bank.

Article 4

Rights and obligations of reference banks

(1) Reference banks shall express their opinion on changes in the algorithm for the calculation of reference rates.

(2) Reference banks shall express their opinion on applications for the status of reference bank and changes in the composition of reference banks.

(3) Reference banks shall be obliged to submit data for the calculation (fixing) of the PRIBID and PRIBOR reference rates at the time and in the form stipulated by the calculation agent and to comply with the technical and organisational conditions laid down by the calculation agent.

(4) Reference banks must be significant participants in the interbank market of deposits and products derived from interest rates, even under rapidly changing market conditions.

Article 5

List of reference banks

(1) The list of reference banks shall be published by the Czech National Bank in an appropriate manner. The list of reference banks shall contain the name and registered address of each reference bank.

(2) Reference banks shall consent to their registration in the list of reference banks.

Article 6

Calculation (fixing) of reference interest rates (PRIBID and PRIBOR)

(1) The quotations for the calculation of the PRIBID and PRIBOR rates shall be submitted by reference banks to the calculation agent every business day between 10.30 a.m. and 10.45 a.m. local time.

(2) The calculation agent shall check the formal correctness of the quotations between 10.45 a.m. and 11.00 a.m. local time and resolve any discrepancies directly with the reference bank in question. Reference banks may, exceptionally, alter their quotations at that time, but not later than 11.00 a.m. local time.

(3) The calculation (fixing) of the PRIBID and PRIBOR reference rates shall take place at 11.00 a.m. local time.

(4) The PRIBID and PRIBOR reference rates shall be calculated as the mathematical arithmetic mean rounded to two decimal places for the following maturities: overnight (O/N), 1 and 2 weeks, 1, 2, 3, 6 and 9 months, and 1 year, in the following manner:

a) if the calculation agent receives a quotation from eleven or more reference banks, the rate for the relevant maturity shall be the arithmetic mean of the rates net of the two highest and two lowest rates;

- b) if the calculation agent receives at least six, but less than eleven quotations, the rate for the relevant maturity shall be the arithmetic mean of the remaining rates net of the one highest and one lowest rate;
- c) if the calculation agent receives four or five quotations, the rate for the relevant maturity shall be the arithmetic mean of all such rates;
- d) if the calculation agent receives less than four quotations, the rate for the relevant maturity shall not be fixed.

(5) The PRIBID and PRIBOR reference rates (except the O/N maturity) shall be calculated (fixed) for transactions that are to be settled on the second business day following the calculation (fixing) date, with the act/360 convention.

(6) Once announced, the PRIBID and PRIBOR rates shall be final.

(7) The method for calculating the PRIBID and PRIBOR reference rates given in paragraphs 1–6 may be changed by the Czech Forex Club after consultation with the Czech National Bank. The Czech National Bank may express its disagreement with the Czech Forex Club's decision.

Article 7

Disclosure and availability of reference interest rates (PRIBID and PRIBOR)

The PRIBID and PRIBOR rates together with the individual reference banks' quotations shall be published immediately after the calculation (fixing) procedure is completed and shall be made available, for example, in the Reuters and Bloomberg information systems and further in a manner which enables remote access (through the Internet).

Article 8

Disclosure of and changes to the Rules

(1) These Rules shall be published by the Czech National Bank in the Bulletin of the Czech National Bank in the form of Official Information and further in a manner which enables remote access (through the Internet).

(2) The Czech National Bank shall be authorised to amend and supplement the Rules by agreement with the Czech Forex Club. Any amendments or supplements to the Rules shall be published by the Czech National Bank in the Bulletin of the Czech National Bank in the form of Official Information and further in a manner which enables remote access (through the Internet).

(3) When amendments are made to the Rules, the reference banks shall be given reasonable time to adjust their activities.

Article 9

Repealing provisions

Official Information of the Czech National Bank No. 5/2000 of 30 June 2000 on the issuing of Rules for Reference Banks and the Calculation (Fixing) of Reference Interest Rates (PRIBID and PRIBOR), published in Volume 7/2000 of the Bulletin of the Czech National Bank and Official Information of the Czech National Bank No. 8/2000 of 12 September 2000 on the issuing of the change No. 1 of the Rules for Reference Banks and the Calculation (Fixing) of Reference Interest Rates (PRIBID and PRIBOR), published in Volume 11/2000 of

the Bulletin of the Czech National Bank, shall be repealed as of the effective date of these Rules.

Article 10
Effect

These Rules shall take effect on 1 May 2006.

Chief Executive Director
prof. Ing Robert Holman, CSc., in his own hand