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

October 2013
## Contents

I. Definitions ........................................................................................................................ 2
II. Assignment of the status of reference bank ................................................................. 2
III. Withdrawal of the status of reference bank ............................................................... 3
IV. Rights and obligations of reference banks ............................................................... 3
V. List of reference banks .............................................................................................. 4
VI. Calculation (fixing) of reference interest rates (PRIBID and PRIBOR) .................... 4
VII. Disclosure and availability of reference interest rates (PRIBID and PRIBOR) ........... 5
VIII. Disclosure of and changes to the Rules ................................................................. 5
IX. Effect.............................................................................................................................. 5
I. 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 Section II 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). These information shall cover mostly the prices of proprietary deposit trades done by the reference bank, in case that no such trade has been made, expert assessment of such prices with use of expert care shall be used instead;

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 Section VI 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 Section VI of the Rules.

II. 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. This application shall include declaration of the applicant’s ability and willingness to satisfy the obligations set in these Rules.

2. The Czech Forex Club shall decide on the assignment of the status of reference bank within 60 days of receipt of the application after consultation with the Czech National Bank and current reference banks. 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 Czech Forex Club shall notify the applicant of the decision on the assignment of the status of reference bank in three days period after decision has been made. The decision shall include the date from which on the reference bank shall deliver the data for PRIBID and PRIBOR reference rates calculation.

4. The assignment of the reference bank status including the date from which a newly accepted bank begins to submit data for PRIBID and PRIBOR reference rates calculation shall be announced by the Czech Forex Club in writing to all other reference banks, the calculation agent and the Czech National Bank in three days period after decision has been made.
III. 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 Intern ational Code of Conduct and Practice for the Financial Markets1) have been grossly or repeatedly violated;
   c) in the case of non-compliance with the conditions of the Rules;
   d) in the case of serious or repeated infringement of the Rules.

2. The withdrawal of the status of reference bank shall be decided on by the Czech Forex Club which is obliged to give reasons for it. If the Czech Forex Club shall decide on the withdrawal of the status of reference bank based on the request of the reference bank, then the decision must be made within the 30 days period from the request receipt.

3. The bank shall be notified in writing of the decision on the withdrawal of the status of reference bank in the three days period after decision has been made. The decision shall become effective since the date stated in the notification and there is no appeal against it.

4. The Czech Forex Club shall inform other reference banks, calculations agent, and the Czech National Bank of the decision on the withdrawal of the status of reference bank in writing in the term of three days since the decision has been made. This shall include also information about the date from which is the withdrawal effective.

IV. Rights and obligations of reference banks

1. Reference banks shall express their opinion on changes in the algorithm for the calculation of reference rates and has the right to suggest above mentioned changes to the Czech Forex Club.

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 express their opinion on the selection of the calculation agent.

4. Reference banks are obliged to set an internal provision to arrange the process of creating and contributing quotations.

5. Reference banks are obliged to set an effective mechanism to control the process of creating and providing the quotations.

6. 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 Rules and to comply with the technical and organisational conditions laid down by the calculation agent.

7. Reference banks are obliged to adhere to the Rules.

8. Reference banks in connection with these Rules are obliged to provide the proper cooperation to the calculation agent, the Czech Forex Club and the Czech National Bank.

V. 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 in particular the name and registered address of each reference bank.

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

VI. 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. This shall not rule out the possibility for calculation agent to correct mistakes before 12:00 a.m. local time at the latest.

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, reference banks and calculation agent.
VII. 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).

VIII. 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.

IX. Effect

These Rules shall take effect on 1 October 2013.