

## WFC Single Disclosure Report 2016 - Version 1

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### General information

Please indicate the full name of the responding institution:

Central Depository Agency JSC

Registered address:

Novaka Miloševa bb, 81000 Podgorica, Montenegro

Country of registered address:

Montenegro

Official website of the respondent institution:

[www.cda.me](http://www.cda.me)

The date of this disclosure is:

22/02/2017

The WFC, the AGC, CPMI and IOSCO encourage respondents to make their disclosure reports publicly available. Do you agree to make your response publicly available?

Yes, my full response will be publicly available. I agree that my response can be published on the website of the WFC and on the website of the regional CSD association(s) which my CSD is a member of. [A1]

How will you be making your answers publicly available? Website

Yes [Y]

How will you be making your answers publicly available? Upon request

How will you be making your answers publicly available? Other

This disclosure can also be found at the following web address(es):

First and Last Name of the contact person:

Marko Vojinović

Disclosure submission authorisation I hereby certify that I am authorised to submit this disclosure report on behalf of my institution.

Yes [Y]

Email address of the contact person:

marko.vojinovic@cda.me

Telephone number (please include the international country code):

+382.20.230.056

How do you prefer to be contacted? Telephone

How do you prefer to be contacted? Fax

How do you prefer to be contacted? mail/air courier

How do you prefer to be contacted? e-mail

Yes [Y]

Fax number

+382.20.230.053

What is the preferred street address for mailing requests?

Novaka Miloševa bb, 81000 Podgorica, Montenegro

Please list the jurisdiction(s) in which the CSD operates:

Montenegro

Please list the authority(ies) regulating, supervising or overseeing the CSD:

Montenegro Securities and Exchange Commission

Executive summary (This section should summarise the key points from the disclosure framework, including a brief overview of the CSD, its participants, its legal and regulatory framework, its primary risks, and its key risk management and other relevant practices.)

Central Depository Agency of Montenegro (hereinafter CDA) is the sole company that is legally authorized in Montenegro to perform registration and maintenance of dematerialized securities, clearing and settlement of stock-exchange transactions and other activities regarding these dematerialized securities. CDA was established in 2000 as a profit joint stock company. It was founded by: the Ministry of Finance, the Central Bank of Montenegro (CBM), and seven commercial banks and financial companies.

CDA is regulated and supervised by Montenegrin Securities Commission (MSEC). CDA operates in accordance with the provisions of the Montenegrin Law on Securities and other relevant domestic legislation, the rules and regulations of the MSEC, the CDA Statute, internal rules and procedures adopted by the Board of Directors, and approved by the MSEC. Its systems, procedures and risk management framework allow CDA and its participants to deal with the various risks they face in operating and using the system. Robust and effective rules and procedures are in place to handle default events.

All types of securities (common shares, preferred shares, bonds, treasury bills) kept in the CDA are stored in electronic book-entry form (100% dematerialized securities, in Montenegro there are no bearer securities), based on beneficiary-owner account segregation concept. CDA has two groups of members: Issuers and Participants (broker / dealer, custodian bank and bank-depository). The criteria for membership are defined by national legislation and CDA rules, which necessarily involves obtaining the appropriate MSEC permit / license.

CDA also acts as the National Numbering Agency, being in charge of assigning ISIN (International Securities Identification Number) and CFI (Classification of Financial Instruments) codes to all securities issued in Montenegro.

CDA has an efficient framework enabling protection of proprietary rights of shareholders and prospective investors. We pursue constant development and upgrading of investment flow control mechanisms with a view of fostering investment into Montenegrin companies by offering highly proficient services for registry keeping and introducing enhanced electronic technology covering all stages from primary placement of securities to the transfer at the secondary securities market and various corporate actions.

Summary of major changes since the last update of the disclosure (This section should summarise the major changes to the CSD's organisation, services, design, rules, markets served and regulatory environment since its last disclosure. The CSD should note the sections in its disclosure where such changes are reflected.)

This is the initial version of WFC Single Disclosure Report for CDA. Therefore, this document does not include a summary of major changes.

General description of the CSD and the markets it serves (This section should provide basic, concise descriptions of the services offered and functions performed by the CSD? It should also provide an overview of the markets the CSD serves and the role it fulfils within those markets. Further, the section should include basic data and performance statistics on its services and operations. A CSD should provide, for example, basic volume and value statistics by product type, average aggregate intraday exposures of the CSD to its participants, and statistics on the CSD's operational reliability.)

CDA offers / performs the following services to specific clients:

Services rendered to Issuers:

- Compile and keep securities holders registry (in CDA are currently kept data on more than 330 issuers);
- Issue list of securities holders to the issuer (more than 400 reports per year);
- Prepare customer defined reports (more than 200 reports per year);
- Assist with the preparation and holding of shareholders' general meeting, e.g. prepare and distribute notifications, prepare and publish press releases, etc.
- Calculation of dividends and payment to shareholders;
- Process corporate actions of issuers: fragmentation, consolidation, division, merging, pre-emptive rights, change of issue date, etc (more than 50 several corporate actions per year);
- Register new issue of securities (approximately 15-20 new issues per year).

Services rendered to security holders:

- Opening and maintaining personal accounts (proprietary accounts, joint accounts, omnibus and treasury accounts) in the registry; CDA has so far opened over 472,000 (all type) securities accounts, of which about 176,000 are currently accounts with funds, and actively (with yearly turnover) are about 15,000. CDA opens about 250 new holder's accounts per year.
- Registration of proprietary rights in case of civil transactions: inheritance, donation, sales contract, the privatization agreement, judicial settlement, payment of duties and taxes, other legal transfers of securities (over 1,800 several non-market transactions of securities per year);
- Transfer of securities in the process of secondary trading: securities reservation with the broker (to street / from street) and/or transfer of securities to / from / between custody ( over 3,000 several secondary trading based transfers per year) .
- Blocking of securities and ensure safekeeping of pledged securities (over 200 transfers per year);
- Issue extracts from the registry and account statements referring to operations in the personal account (more then 4,000 extracts per year);
- Preparation of a list of security holders upon request of a security holder or a group of security holders entitled to obtain such a list (more than 200 reports per year).

Services rendered to participating members (brokers, dealers and custodian participants) and stock exchanges:

- Opening / closing and maintaining proprietary accounts, custody accounts (collective and to the name) and depository accounts (for closed / open ended investment funds); CDA opens about 20 new participant's accounts per year;
- Clearing and settlement of trades concluded on stock exchange, pursuing delivery vs. payment (DVP) principle, trade-for-trade settlement (BIS model 1 - Gross, simultaneous settlements of securities and funds transfers), contractual settlement with the Guarantee Fund (BIS model 2 - Gross settlement of securities transfers followed by net settlement of funds transfers), and based on T+2 settlement cycle principle (in last couple years due the crises, about 5000 settled stock

exchange transactions per year with a yearly turnover of over 60 millions €; that means the average aggregate intraday exposure of the CDA to its participants is approximately 230,000 €).

- Import of stock exchange transactions, trade matching and confirmation process for institutional investors, managing the funds of the Guarantee Fund (about 16,000 €);
- Reconciliation and regular daily reporting to Participants of clearing and settlement activities performed.

General organisation of the CSD (This section should provide an overview of the organisational and governance structure of the CSD? including a description of the CSD's governance policies, governance structure and management structure.)

CDA governance bodies are: the Assembly (consists of representatives of all shareholders, meets once a year on a regular basis), the Board of Directors (consist of 5 members, with one-year mandate), the Chief Executive Officer (CEO, with four-year mandate) and the Secretary. MSEC gives approval for the selection of the CDA Board of Directors and CEO.

CDA has 13 employees (on non-executive level, without CEO and Secretary) organized into the following sections: Operations department (5), IT Department (3), Finance department (2), General affairs (2) and Risk Analyst (1).

Legal and regulatory framework (This section should provide an overview of the CSD's legal and regulatory framework, including the legal and ownership structure of the CSD, the legal basis for each material aspect of the CSD's activities, and the regulatory, supervisory and oversight framework for the CSD.)

CDA is the only institution in Montenegro that was granted a licence to perform CSD services. This licence was granted to CDA by national securities market regulator MSEC. CDA is (according to Article 89, paragraph 2 of the Law on Securities) organized as a joint stock company, and CDA currently ownership structure could be distributed into following major ownership groups: Central Bank of Montenegro (35%), several domestic commercial banks and financial companies (26%), foreign investment companies 29% (directly or via local custodians) and 10% owned by Market Participants.

CDA's operations are governed by Montenegro Law on Securities.

Other relevant domestic legislative are:

- Law on Privatization of Economy
- Law on Ownership and Management Transformation
- Law on settling obligations and claims arising from foreign debt and foreign currency savings
- Regulation on the conversion of old foreign currency savings bonds
- Regulation on the procedure of issuing bonds and a procedure for refund of the former owners
- Law on Restitution of Property Rights and Compensation
- Law on Property Relations
- Law on Prevention of Money Laundering and Financing of Terrorism
- Bankruptcy Law
- Law on Obligations
- Inheritance Law
- Law on Collateral Security claims
- Law on Takeover
- Law on Investment Funds
- Company Law
- Rules on performing custody operations
- Rules on control of operations with securities

Main internal CDA governing documents are following: CDA Rules , CDA Statute, CDA Price list, Code of Ethics, Integrity Plan, Risk management policies, User Manual IVR, Instructions for brokers, Instructions for custodians. The CDA Rules, Statute and Price list are approved by the MSEC and published in the Official Gazette of Montenegro, while all other CDA acts are adopted by the Board of Directors.

The current versions of all relevant regulations are available on the CDA website.

CDA is subject to the following types of controls:

- Prudential supervision and ad hoc direct controls by the MSEC in the capacity of competent authority for supervision of organized securities markets and investment services,
- External (statutory) audit of accounting statements by independent auditing company, and
- Internal audit by Risk analyst.

System design and operations (This section should explain the CSD's design and operations. It should include a clear description of the typical lifecycle of the transaction process. The information should highlight how the CSD processes a transaction, including the timeline of events, the validation and checks to which a transaction is subjected, and the responsibilities of the parties involved.)

CDA's core activity is maintenance of Central registry of dematerialised securities via electronic database.

Main operations are:

- Membership affiliation
- Accounts maintenance (and maintaining balance of securities), Maintenance of share registers and registers of holders of other nominal securities;
- Settlement of Montenegro stock exchange trades;
- Corporate actions processing;

CDA's operations are based on following functions:

- Issuer CSD;
- Depository;
- Registrar;
- On-exchange trades settlement facilitator.

CDA currently acts as Issuer CSD only (Investor CSD functions are not yet established).

CDA Central registry of dematerialised securities is designated as electronic database with following operations:

## RULES OF MEMBERSHIP

### 1. Membership in the CDA

1.1. Membership in the Agency allows the use of services CDA offers to their members.

1.2. Members of the Agency are divided, depending on the services that their agency provides, to: the Issuers, the Participants and the stock exchange(s).

1.3. Issuer is any legal entity that issued the securities, in accordance with the Law on Securities, and which has fulfilled conditions for reception by the CDA.

1.4. Issuers have access to the Services of the Central Registry, which include the implementation of corporate activities. The rights and obligations of the CDA and the issuers shall be determined by these Rules, Guidelines and contract of membership.

1.5. Participants (brokerage, dealer, custodian and banks-depositories) are legal persons performing activities of financial intermediation or perform activities of holding securities for third parties and who have access to clearing and settlement. The rights and obligations of the CDA and Participants are determined by these Rules, Guidelines and membership contract.

1.6. The status of Participant is acquired at his own request, in accordance with the license received from Securities Commission, these Rules and other regulations of the CDA.

1.7. The Stock Exchange-member can be any stock market which is guiding the work of organized securities market received a license from the Commission. The rights and liabilities of the CDA and stock exchanges are determined by these Rules, Guidelines and the mutual membership agreement between.

1.8. Members of the Agency may be direct and indirect members:

- Issuers may be direct or indirect members;

- Participants – brokerage and dealers are always direct members;
- Stock Exchanges are always indirect members;
- Custodian and bank depositories can be either direct or indirect members.

(Direct members designate the members of the CDA who have a direct - "on-line" access to the CDA computer system. Indirect members designate members of the CDA who have no direct - "on-line" access to the CDA computer system.)

Membership in the CDA shall be terminated:

- for Issuers – in the case of changing circumstances related to a member when member is no longer eligible for membership (deletion from the register of companies and the Commission registry).
- for Participants and stock exchange - on the basis of the Commission's decision to revoke the given license to operate

Punitive measures - Suspension

CDA may decide to suspend the member as a temporary stop providing all or some services, for one or more of the following reasons:

- if according to objective criteria and parameters CDA evaluate the significant danger of insolvency and / or illiquidity due receivables will not be charged, and in order to prevent provoking new expenditure and an increase in receivables pursuant to Member;
- if a member appearances financial difficulties of such a nature that may be reasonably expected to affect the fulfillment of its obligations;
- if Participant fails to correct any failure in performing its monetary obligation, in the manner and amount specified by the CDA in accordance with these rules, instructions, price list and other legal acts of the CDA;
- if Participant fails to correct any failure in performing its obligations relating to the delivery of securities in accordance with these rules, instructions and other legal acts.

The suspension lasts until the termination of the circumstances which have caused.

#### DISCLAIMER

For the purpose of determining the responsibilities of a member of the CDA under these Rules, the acts or omissions of managers, employees were intentional or unintentional, it will be considered acts or omissions of members.

For the purpose of determining the responsibilities of the CDA under these Rules, the acts or omissions of its managers and employees, were deliberate or unintentional, it will be considered the acts or omissions of the Agency.

Acquiring the status of member, member at large and irrevocably accepts the terms of these Rules, directives, price list and other legal acts of the CDA, undertakes to act in accordance with these rules, instructions, price list and other legal acts. Member as a whole and irrevocably accepts all amendments to these rules, instructions, price list and other legal acts of the Agency, undertakes to act in accordance with these amendments.

CDA is responsible for the technical correctness of its actions concerning the entry of the account holder's or member's order(s), which were given in the manner and within the deadlines specified in these Rules and Guidelines.

CDA accepts responsibility for the protection of data on dematerialized securities which are located in its base from unauthorized access or system failures.

CDA is not responsible for actions in its system initiated and executed by direct members, on the basis of their legal authority.

CDA does not in any way responsible for relations between the participants and their clients, or participant's omissions / abuses in meeting commitments to customers.

CDA is not responsible for the use and operations on the custody and depository accounts.

CDA implies authenticity of the information contained in stock exchange transactions, and will not

be responsible for any damage caused on the basis of such data.

CDA does not in any way be responsible for failure to banks for settlement in relation to the treatment according to the orders for payment of Participants or the CDA.

CDA is not responsible for failure or delay in providing any services or fulfilling orders in relation to any securities, if such failure or delay caused by natural disasters, by sabotage, acting upon the decisions of state organs or other causes beyond the reasonable control of the CDA.

#### REPORTS

CDA shall submit reports to members in the manner and within the deadlines prescribed by the Guidelines.

The member is obliged to verify the accuracy and completeness of the reports it receives from the Agency and must, without delay, inform the CDA if it is not received reports or if disputed the accuracy or completeness of the report.

If the member does not contest the accuracy and completeness of the report within 24 hours from the moment when the report was made available, it is considered that member confirm the accuracy and completeness of the report, and that he gave up his right to object to report errors or omissions.

CDA distributing all relevant data as follows:

☐☐ Through CDA online system, Participants receive all relevant information for them (regarding market transactions, settlement obligations and results, the Guarantee Fund, etc.)

☐☐ Investors and other interested public obtain information through the CDA website ([www.cda.me](http://www.cda.me)) which contains regularly reports about non-market transfers of securities, the top 10 shareholders of all registered issuers, and other relevant reports (list of Participants, imposed measures, the annual operational and financial reports).

#### REGISTRY RULES

The register of dematerialized securities is a central database that stores and maintains:

- a) information on the issuers of securities;
- b) data on issue of securities;
- c) data on registered owners;
- d) information on the participants who hold securities as representatives of third parties;
- e) information about the ownership positions, which include the ticker, the number of securities, whether prepaid or outstanding (unpaid) positions, rights of third parties arising out of the burden on proprietary positions, and other facts relevant to the legal turnover of securities;
- f) CFI code (designation according to International Classification of financial instruments);
- g) a unique international identification number (ISIN) of securities;
- h) other data related to securities.

The securities are recorded as book entry equity positions in the securities accounts of account holders. Number of securities and the rights and powers deriving from the ownership shall be determined on the basis of proprietary positions in the securities account.

The prepaid securities positions are kept separately from non-paid positions. Loaded, locked and frozen equity positions are kept separately from free position. The ways in which each type of proprietary positions can be used and the purpose for which can be used are described in the Rules and Guidelines.

The CDA provides, within the services of the Registry, the following services:

- keeping the total number of issued shares as well as track the history of broadcasting;
- opening the securities account of the issuer (treasury account) to conduct securities issued by the Issuer;
- opening of one or more individual securities account for the conduct of safekeeping positions of beneficial owners;
- managing and safekeeping of equity positions registered on individual securities accounts;

- registering changes in ownership positions that result from the process of settlement of market transactions;
- registering changes in ownership positions that are the result of a legal transfer (inheritance, gift, etc.).
- implement the takeover procedure in accordance with the Law on the takeover of companies;
- registration of changes of data on account holders;
- keeping data on transaction history for all changes in ownership positions;
- compare and synchronize the data entered in the Central Registry with those submitted by the issuer;
- submission of regular reports to issuers about account holders and their ownership positions as prescribed certain guidelines;
- delivery of monthly statements to those account holders who had changes in ownership positions during the month, at their request;
- delivery of the annual report of all account holders irrespective of the activities during the previous 12 months, at their request;
- implementation of corporate activities in accordance with the instructions of the issuer;
- assigning a ISIN numbers of securities in accordance with the standards set by ANNA;
- assigning CFI codes of securities according to the International Classification of financial instruments;
- e- account services via the web portal of the CDA, which allows to view and download the agreed reports (statement of ownership, list of shareholders, short capital structure, etc.).
- Other services in accordance with the provisions of the Rules and Instructions.

Issuer is obligated to notify the CDA of all corporate activities and the status changes, ie changes in circumstances that may affect his status or security status which is broadcast, as well as its ability to meet its obligations.

#### THE INTERCHANGEABILITY OF SECURITIES

Securities of a single issue have the same parameters (ISIN, trading symbol, nominal value, right voice, etc.) and consists of interchangeable set of securities in which each securities equivalent to another.

Dematerialized securities of the same issue should be unlimited interchangeable, so that each transaction can be settle delivering any securities of the same issue and the buyer cannot request a specific individual securities. (There are no bearer shares.)

#### SECURITIES ACCOUNTS

Securities Account is an electronic record kept by the CDA and showing current ownership position securities account holder. Number of securities and the rights and powers deriving from the ownership of the certain equity positions in securities accounts.

In the electronic system of the CDA shall keep the following types of securities account: individual, joint, nominal account, collective (omnibus) custody account, custody account in the name, aggregate depository bank account, securities accounts administered by a foreign depository, Participant omnibus account and Issuer treasury account.

In omnibus custody accounts and securities accounts administered by a foreign depository true identity of the account holder is only known to the custodian or the foreign depository. Equity positions account holders will be registered in the name of the custodian or foreign depository, and will include only aggregate ownership position. Determining the true owners of equity positions held in omnibus custody account and securities accounts administered by a foreign depository is the exclusively responsibility of the custodian and foreign depository that opened this account.

Acquisition of property and changes in ownership positions in securities accounts

Acquiring ownership of securities and the rights and obligations arising from it are governed by the Law on Securities. Ownership of securities arising as a result of market and non-market transactions.

Change of ownership is done by transferring securities from the securities account of the previous owner of the securities account of the new owner. Equity positions in the securities accounts may change as a result of:

- market transactions (primary sales of securities – IPO and / or settlement of secondary market trades);
- non-market transactions (legal transfers in accordance with the law - donation, inheritance, pledge, fiduciary, transfer of ownership by the prescribed methods in the privatization process, judicial and extra judicial alignment and other transactions in accordance with the law).

The ownership position may also change as a result of corrections, based on documentation submitted by the issuer or the competent authorities, in accordance with the Guidelines. The issuer is obliged to submit to the CDA a request or a certificate of correction, in accordance with the instructions of the CDA, and is fully responsible for the accuracy of the information supplied.

#### CORPORATE ACTIONS

Corporate actions include distribution, capitalization and privileges belonging to account holders based on their ownership of securities. Distribution include: billing and payment of dividends in cash, calculation and payment of dividends in shares, the calculation and payment of interest and principal on bonds, securities and other conversion in accordance with the law. Corporate actions in the form of capitalization include capital increase or decrease, mergers and acquisitions of companies, divisions of companies, the new issue of equity and long-term debt securities and other status changes, in accordance with the law. Corporate actions that are referred to as privileges include priority right to acquire shares and convertible bonds, the right to part of the remaining assets after liquidation and the other in accordance with the law.

In terms of those corporate actions that are registered with the CDA, the issuer is obliged to fulfill all obligations relating to full and timely delivery of data, securities, financial assets and other materials that are specific by instructions.

#### CLEARING AND SETTLEMENT RULES

Main principles:

- DVP (delivery vs payment) principle: transfer of securities from the seller to the buyer account (delivery) occurring almost at the same time (with couple minutes time lag) as payment - final transfer of funds from the CDA cash pool account (opened with CBM – central bank money) to the seller's Participant commercial banking account;
- Settlement on the second business day after the transaction conclusion on the Stock Exchange (T+2), with the possibility of: (1) shortened settlement cycle (T+0, T+1) after the approval of both parties, and (2) extended settlement cycle (T+3) in case the payment is made by delivery of other securities;
- Settlement according BIS Model 2 (Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers) if the stock exchange transaction meets the following conditions: (1) the Settlement day is T+2 and the method of payment is money (not payable with other securities), (2) there are enough available securities on the seller account, and (3) the transaction value is less than the daily limit value per transaction (calculated by the sum of net cash debts of all Participants not exceed 50% of the current value of Guarantee fund). The transactions in which the same settling participant represents the both (buying and selling) sides are settled by model 2 regardless of the transaction value amount, if they meet the previous two conditions

If the stock-exchange transaction not meets all listed conditions, it will be settle through BIS Model 1 (Gross, Simultaneous Settlements of Securities and Funds Transfers).

• [?]the existence of the Guarantee Fund as security for successful of settlement of all transactions classified for settlement by BIS model 2

General conditions:

Market transactions are transactions with securities carried out on the stock exchange on which the stock market electronically reports to the CDA.

Market transactions can be primary sales transactions (IPO) and secondary trading of securities. CDA divide market transactions on accepted and unaccepted.

CDA in the process of clearing and settlement include only the accepted transaction, under which implies technically correct secondary stock exchange transactions with eligible securities.

Technical faulty secondary stock exchange transactions CDA treated as unaccepted transactions and does not include them in the process of clearing and settlement.

IPO transactions CDA treats separately in accordance with current legislation and in accordance with the Guidelines.

CDA treats as unaccepted transactions the Secondary stock market transactions in which on the ownership Seller account, on position which is reserved for Participant, is register a insufficient amount of securities traded, and does not include them in the process of clearing and settlement.

Clearing and settlement are carried out only in relation to fully paid ownership position in securities accounts.

Securities Accounts used for clearing and settlement of secondary stock exchange transactions are:

- Individual accounts positions registered with Participant
- Custody and Depository Accounts, and
- Omnibus accounts, types of transient account opened for the authorized participant for the purpose of implementing joint order of selling securities.

Transfers of securities, carried out by participants are: "to street", "from the street", custody and depository transfers. Participants independently make all their related transfers of securities in the system of the CDA, in accordance with permission to operate and user guides.

PIN code is eight digits witch indicates a protected number assigned to the registered owner of the securities account, which in combination with the registration number of the owner makes the necessary data set for authentication of "to street" transfer and in case of accessing the system via CDA automatic teller. The automatic teller is a special communication - a computer system that allows the registered shareholder to use a PIN via phone access data on his securities account and verify the same through "to street" transfers.

Bank accounts - cash accounts used for settlement

The cash part of the settlement of secondary stock exchange transactions carried out through the Account for the settlement – CDA cash pool accounts and Participants cash accounts opened with commercial banks.

CDA shall open the cash pool account for money settlement of secondary stock exchange transactions in the Bank for settlement – Central Bank of Montenegro and / or with commercial banks.

Participant who directly use the services of clearing and settlement, for the purpose of settlement of monetary obligations arising from the secondary stock exchange transactions of securities, must open and specifies the separate bank account for each role (brokerage, dealer, custodian, depository).

Clearing and settlement in steps:

1.  FTP import of stock exchange file - on T+0 after 3.00 PM
2.  On T+0 - the classification of imported transaction in "accepted" and "unaccepted".  
"Unaccepted" transactions are classified as:
  - (i)  IPO transactions (primary sale of securities) – not include in C&S,
  - (ii)  technically faulty secondary stock exchange transactions - conditionally include in C&S if stock market submit to CDA a written correction on T + 1,
  - (iii)  secondary stock exchange transactions in which there are not enough registered securities in the proprietary account of the seller, on a position which is reserved for the executing participant - not include in C&S, REJECTED and cause a suspension of the Participant who caused the failure with contractual penalty obligation in favor of the Guarantee Fund."Accepted" transactions are subject of C&S and they are classified as „confirmed" and "unconfirmed".  
"Unconfirmed" trades are those which are execute by broker on stock exchange but will be settle by custodian or depository bank and they are object of confirmation. The deadline to confirm on-exchange trades with securities held at CDA is on T+1 by 12.00pm for Voluntary confirmation and on T+1 by 3.00pm for Enforcing confirmation.  
"Confirmed" transactions are not subject to any changes except change the settlement date in accordance with the Rules and Guidelines.
3.  Submission of Settlement projection to each Participant – on T+0 after imports completed. It contains a detailed specification of obligations / claims of Participant s in cash / securities for the next two days (T+1 and T+2), divided by the models of settlement and summary. Settlement Projection can be changed by the end of the day T + 1 (due to the confirmation of the transaction and / or changing the settlement date), when it becomes final Settlement Balance to T + 2, and settlement it carried out according to.
4.  On T+2 between 10 – 12 am: Settlement. It is final and irrevocable transfer of equity positions from the seller account to the buyer account, with a simultaneous transfer of funds from the CDA cash pool account to a cash bank account of the Participant represent seller side (model 1) and Participant net claimant (model 2).

#### Guarantee fund:

Guarantee fund consists of two parts: fixed part (annual basic contributions which are equal for all participants) and additional part (additional monthly contributions determined in relation to activity of each participant in previous month). The fund is financed exclusively by Contributions from Participants (for each role separately).

Basic annual contribution is calculating on the beginning of the year as the average daily net cash debt of all Participants in the previous year, times three. Also, there is a minimum level for Basic annual contribution set on 2% of legally required minimum basic capital requirements for brokerage.

Additional monthly contribution is the difference between the average net cash debt of the Participant in the previous month and the amount of basic contribution.

Funds of GF CDA hold the CDA cash pool account and do not take any compensation for the management of these funds, as Guarantee fund belong jointly to all registered Participants and are not included in the assets of CDA.

(Up to the amount of the Guarantee Fund), CDA guarantees the successfully and on time settlement by BIS model 2, in a way that would activate the Guarantee Fund in the event that an Participant does not settle in time its net monetary liabilities.

CDA cannot guarantee for the settlement of monetary obligations between participant and its client, arising on transactions from BIS model 2 settlements. Rights and obligations between the participants from each transaction do not stop even when the transaction is included BIS model 2

settlements.

**DEFAULT PROCEDURES:**

In the case of failed settlement, CDA has established the following procedures:

(1) if failed transaction is classified for settlement by BIS model 2, CDA activates Guarantee fund and execute settlement on T+2. The “default” Participant shall be obliged to return to the Guarantee Fund the amount that CDA used from the Guarantee Fund plus the amount of the compensation provided for by the contract. Participant is obliged to make a payment no later than the next business day using the funds of the Guarantee Fund, and this amount will be allocate by first settled funds of other participants that were used from the Guarantee Fund. The remaining amount of the compensation shall be paid into the Guarantee Fund and for that amount equally increases the basic contributions of all Participants. If a participant fails to make payment to the Guarantee Fund will have been suspended and the CDA will launch legally prescribed actions for the settlement of these claims in court.

(2) in the case of “rejected” transaction on T+0 or “failed” transaction classified for settlement by BIS model 1, CDA imposing the suspension of the Participant who caused this failure and the suspension lasts until the payment contractual penalty in favor of the Guarantee Fund, while failed transaction is subject of cancellation or waiting for the fulfillment of obligations (depending on the expressed will of the “correct” side).

Add relevant appendices for this group.

Law on securities\_montenegrin.pdf (464KB) Law on securitiesCDA rules.pdf (407KB) CDA rulesCDA procedures\_montengrin.pdf (721KB) CDA procedures

filecount - Add relevant appendices for this group.

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## Legal Basis (PFMI Principle 1)

Summary narrative for PFMI Principle 1. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

Under what regulation or statute is the CSD established and governed?

The Central Depository Agency of Montenegro was established at the session of the Constituent Assembly held on 24. May 2000. The Decision on registration of business entities and establishment of a legal entity was made on 17. November 2000 by the Commercial Court in Podgorica. CDA was established under the provisions of the FR Yugoslavia Law on Enterprises (FRY Official Gazette no. 29/96, 30/96, 29/97, 59/98 and 74/99) and the Montenegrin Law on Securities (Montenegro Official Gazette no. 59/00, 10/01, 43/05, 28/06, 53/09, 73/10, 40/11 and 06/13 ). The CDA is now generally governed by the Montenegro Low on Securities.

Is the regulation or statute electronically available?

Yes [Y]

If regulation or statute is electronically available, please supply web address(es) here or upload document(s).

[www.cda.me](http://www.cda.me)

Please supply document(s) here:

CDA Statute - montenegrin.pdf (174KB) CDA Statute

filecount - Please supply document(s) here:

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What are the material aspects of the CSD's activities that require a high degree of legal certainty (for example, rights and interests in financial instruments, settlement finality, netting, interoperability, immobilisation and dematerialisation of securities, arrangements for DvP, PVP or DvD, collateral arrangements (including margin arrangements), and default procedures)?

CDA provides management services for the depository of dematerialized securities with all the necessary information about securities, issuers and owners of securities, and in the context of this work performs the following:

- opening securities accounts;
- managing positions in the accounts of dematerialized securities;
- keeping records of securities issued by the issuer in the form of documents ;
- recording changes in positions of securities based on settlement of market transactions;
- recording changes in positions of securities based on non-market transactions;
- recording changes in positions of securities that are not caused by settlement procedures;
- recording changes in data about owners/holders of accounts;
- Keeping track of transaction history for all changes in positions;
- comparison and synchronization of data entered in the depository;
- regular reporting to issuer members and participating members about owners/holders of accounts and positions related to them;
- reporting to investors, i.e., owners/holders of accounts with recorded changes on their positions;
- conducting corporate actions in accordance with the law, Rules and Procedures of the CDA and the decisions and orders of the issuer members;
- assigning the International unique identification number (ISIN) to securities in accordance with the standards set by ANNA;
- assigning CFI codes to securities according to international classification of financial instruments;
- other services in line with the provisions of the Rules and Procedures of the CDA.

CDA provides clearing and settlement services for stock exchange transactions respecting DVP principle, using central bank money, via BIS Model 1 (trade for trade) and BIS model 2 (gross securities and net cash, using Guarantee fund). For this purpose, CDA keeps appropriate securities clearing accounts and clearing cash accounts.

Legal security of the CDAs' procedures is based on the application of legal provisions (Law on securities and others), the Rules and Procedures of the CDA. Settlement finality is ensured by the above mentioned regulations and the implementation of settlement in the RTGS system of the Montenegro Central Bank.

What are the relevant jurisdictions for each material aspect of the CSD's activities?

The jurisdiction of Montenegro courts.

How does the CSD ensure that its legal basis (that is, the legal framework and the CSD's rules, procedures and contracts) provides a high degree of legal certainty for each material aspect of the CSD's activities in all relevant jurisdictions? In particular, how does the CSD ensure that its legal basis supports the immobilisation or dematerialisation of securities and the transfer of securities by book entry? In addition, if the CSD has a netting arrangement, how does the CSD ensure that its legal basis supports the enforceability of that arrangement? Where settlement finality occurs in the CSD, how does the CSD ensure that its legal basis supports the finality of transactions, including those of an insolvent participant? Does the legal basis for the external settlement mechanisms the CSD uses, such as funds transfer or securities transfer systems, also support this finality?

The legal basis of the CDAs' business operations is based on: the Law on securities (Official Gazette of Montenegro 59/00 , 10/01 , 43/05 , 28/06 , " 53/09 , 73/10 , 40/11 , 06/13 3), the Companies Law (Official Gazette 06/02, 40/11) , the Civil Obligations Law (Official Gazette 47/08, 04/11) and the Rules and Procedures of the CDA ([www.cda.me](http://www.cda.me)) which are in line with the aforementioned laws.

The dematerialisation of registration of securities in the accounts of the owner / holder is based on legal regulations and described in the CDA Procedures.

Settlement finality is based on legal regulations and described in the CDA Rules.

Transactions with payment are settled at the time of transfer of securities to the designated allocated securities accounts of the recipient and creating a payment order in favor of the cash account of the member supplier of securities. Transactions settled without payment are settled at the time of transfer of securities distributed on a securities account of the recipient.

From the moment of receipt of the regulators' notification on the opening of insolvency proceedings against a participant member, the CDA shall prevent the participant member from further use of settlement services other than those necessary for the settlement of its obligations in the system on the day when the proceedings are opened (to settle transactions for which the settlement date is due).

How has the CSD demonstrated that its rules, procedures and contracts are clear and understandable?

The procedure for adopting/modifying the acts of the CDA foresees preparation of proposals by professional services of the CDA (in consultation with members), after which the regulator (Montenegro Securities Commission) is addressed by a formal request for approval of new or amendment of existing acts.

How does the CSD ensure that its rules, procedures and contracts are consistent with relevant laws and regulations (for example, through legal opinions or analyses)? Have any inconsistencies been identified and remedied?

by MSEC formal approval of CDA acts.

Are the CSD's rules, procedures and contracts reviewed or assessed by external authorities or entities?

Once approved by Montenegro Securities Commission, CDA rules are not further reviewed.

Do the CSD's rules, procedures and contracts have to be approved before coming into effect? If so, by whom and how?

yes, by MSEC in the form of official approval.

How does the CSD articulate the legal basis for its activities to relevant authorities, participants and, where relevant, participants' customers?

CDA operates in a transparent manner, all necessary documentation (acts, orders, etc.) is available to all members and interested public. The CDA replies daily to all queries concerning its field of operation by various means.

How does the CSD achieve a high level of confidence that the rules, procedures and contracts related to its operations are enforceable in all relevant jurisdictions identified in PFMI Principle 1 key consideration 1 (for example, through legal opinions and analyses)?

Enforceability of the CDA's acts is, for the most part, legally realized on the Montenegro capital market.

How does the CSD achieve a high degree of certainty that its rules, procedures and contracts will not be voided, reversed or subject to stays? Are there any circumstances in which a CSD's actions under its rules, procedures or contracts could be voided, reversed or subject to stays? If so, what are those circumstances?

It is possible that some CDA action could be voided, reversed or subject to stays according to relevant court or MSEC decision (it is applicable only on the specific transaction level, not on the Rule level).

Has a court in any relevant jurisdiction ever held any of the CSD's relevant activities or arrangements under its rules and procedures to be unenforceable?

No.

If the CSD is conducting business in multiple jurisdictions, how does the CSD identify and analyse any potential conflict-of-laws issues? When uncertainty exists regarding the enforceability of a CSD's choice of law in relevant jurisdictions, has the CSD obtained an independent legal analysis of potential conflict-of-laws issues? What potential conflict-of-laws issues has the CSD identified and analysed? How has the CSD addressed any potential conflict-of-laws issues?

CDA not conducting business in multiple jurisdictions.

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Governance and ownership (PFMI Principle 2)

Summary narrative for PFMI Principle 2. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

What type of legal entity is the institution? Public Company

What type of legal entity is the institution? Private Company

What type of legal entity is the institution? Central Bank (or part thereof)

What type of legal entity is the institution? Stock Exchange (or part thereof)

What type of legal entity is the institution? Other

Joint stock company in which Montenegro Central Bank is a major shareholder

Is the institution operated as a "for profit" or a "not for profit" organization?"

For profit [A01]

Is the institution operated as a "for profit" or a "not for profit" organization?" Other

Please provide the names of the owners and their ownership interest percentages.

CENTRAL BANK Montenegro 35%  
CRNOGORSKA KOMERCIJALNA BANKA 15%  
BULL AND BEAR BROKER - DILER 10%  
other (omnibus custody accounts and local financial institutions) 40%

What is the date of establishment of the CSD?

24/05/2000

What is the date that the CSD's operations began?

17/11/2000

Are participants required to contribute capital to the CSD that would result in ownership of the CSD?

No [A02]

Are participants required to contribute capital to the CSD that would result in ownership of the CSD? Other

If yes, what fixed amount is required or what formula is used to determine the appropriate contribution level?

What are the CSD's objectives, and are they clearly identified?

- to develop an efficient framework enabling reliable tools for registration of securities, as well as protection of proprietary rights of share-holders and prospective investors.
- putting in place a control mechanism for investment flows within clearing and settlement of securities transactions, fosters investments in Montenegrin companies and maximizes the benefit for our clients and shareholders.
- to develop into a highly professional, impartial and independent institution (lawful and reliable transfer of titles on securities is the best way to ensure protection of our members and clients).

How does the CSD assess its performance in meeting its objectives?

CDA shall determine criteria for evaluation of efficiency in achieving goals and conduct assessments of efficiency henceforward.

How do the CSD's objectives place a high priority on safety and efficiency? How do the CSD's objectives explicitly support financial stability and other relevant public interest considerations?

The internal controls system and regulator supervision ensure adherence to high standards of safety and efficiency of the CDA. CDA makes its regulations, as well as the annual financial statements publicly available. Failure to comply with these high standards can cause the operating license to be revoked.

What are the governance arrangements under which the CSD's board of directors (or equivalent) and management operate? What are the lines of responsibility and accountability within the CSD? How and where are these arrangements documented?

CDA is a joint stock company that was established, organized and operating in accordance with the national Companies Law. The Company has, in accordance with the law, the following bodies:

- General Meeting / Assembly - to decide on the most important issues of the Company's operations: adoption and amendments to the Statute, the appointment and removal of members of the Board of directors, distribution of profits, increase and decrease of the share capital of the Company, appointment of auditors and the dissolution of the Company. The General Assembly is composed of shareholders of the Company.
- Board of directors - decide on the planning of the Company's operations, supervision of the work of the executive management
- CEO – organizes and manages business operations of the Company.

The basic acts of the Company are: the Statute, organizational structure with job descriptions, various regulations and rules.

For central bank-operated systems, how do governance arrangements address any possible or perceived conflicts of interest? To what extent do governance arrangements allow for a separation of the operator and oversight functions?

The CDA is independent legal entity, not managed by the central bank.

How does the CSD provide accountability to owners, participants and other relevant stakeholders?

CDA realizes its responsibility towards the stakeholders through the fulfillment of the operational, financial and development plan. Their responsibilities to members, the CDA fulfills by a satisfactory level of service provision and by including members in development activities and planning through a variety of formal organization forms.

How are the governance arrangements disclosed to owners, relevant authorities, participants and, at a more general level, the public?

All relevant documentation for the members, relevant institutions and information to the public and interested stakeholders is located on the internet pages of the CDA: [www.cda.me](http://www.cda.me) .

What are the roles and responsibilities of the CSD's board of directors (or equivalent), and are they clearly specified? Please provide details of the structure and composition of your Board together with their industry experience and responsibilities in governing the CSD. What are the qualifications to become a board member?

CDA Board of directors has 5 members. They must have university degree with 3 years of relevant experience. It is management body witch makes: draft decision for Assembly; decisions concerning the business, acting in the interest, asset management and disposition of the CDA; conclusion contracts; draft annual reports and statement of operations; draft decision for coverage of losses; draft the business plan; give instruction to implement decisions and issues concerning the business of CDA; guidance for rules; the ethic code; engage consultant

What are the board's procedures for its functioning, including procedures to identify, address and manage member conflicts of interest? How are these procedures documented, and to whom are they disclosed? How frequently are they reviewed?

Functioning of the Management Board is determined by CDA Statute (approved by MSEC, publicly available on [www.cda.me](http://www.cda.me)).

What are the election procedures?

The members of the Board of Directors are elected on General Meeting between candidates, who obtain the largest number of votes, nominated by representatives of owners. Right to nominate candidates is shareholder who own at least 5% of the share. Each voting stock gives the number of votes equal to the number of Board members who will be elected.

What is the maximum length of time a board member can serve?

Duration of one mandate is 1 year, and they can be reelected. The number of terms is not limited.

How are the voting powers distributed amongst the board members (i.e. does each board member have one vote or do certain members have additional voting power)?

Each Board member has one vote. In case of equal votes, the President of Board of Directors shell decide.

Describe the board committees that have been established to facilitate the functioning of the board. What are the roles, responsibilities and composition of such committees?

CDA Board of the directors have not formed any committees to assist in their work.

What are the procedures established to review the performance of the board as a whole and the performance of the individual board members? Who is responsible for regulating the board members?

CDA has not established procedures for assessing performance of the Management Board and individual members.

To what extent does the CSD's board have the appropriate skills and incentives to fulfil its multiple roles? How does the CSD ensure that this is the case?

Members of the CDA Board of directors must have a proper education, expertise, reputation and work experience in order to be elected , which is based on legal provisions and CDA Statute.

What incentives does the CSD provide to board members so that it can attract and retain members of the board with appropriate skills? How do these incentives reflect the long-term achievement of the CSD's objectives?

The Board of directors members receive a compensation from the Company for their work.

Does the board include non-executive or independent board members?

No [N]

If yes, how many?

If the board includes independent board members, how does the CSD define an independent board member? Does the CSD disclose which board member(s) it regards as independent?

What are the roles and responsibilities of management, and are they clearly specified?

CDA Board of Directors (by the Statute) responsibilities:

- making out draft decision to the Assembly,
- making decisions with regard to operation, interest representation, management and disposal of CDA, except insofar as it is in accordance with the law and the Statute determined the powers of the Assembly,
- concluding of the contract, which are above the limit that exceeds the jurisdiction of the executive director,
- employing of persons responsible for the CDA and other issues of importance for the CDA,
- the proposal establishes the annual accounts and reports on the operations,
- draft decision on covering losses, considering periodic reports on operations, establishes a proposal of a business plan,
- decide on the amount and method of payment of fees for operations performed by CDA, appointed and dismissed by the Executive Director,
- gives orders to the Executive Director for the implementation of decisions related to the operations of the CDA, and all other issues of importance for the CDA,
- concludes an employment contract with the Executive Director, which defines the rights, obligations and responsibilities of the Executive Director, can give orders to members of management to perform the duties entrusted to them,
- decides on business cooperation with other companies, provides guidance on the application of CDA,
- determined elements account statements and other forms that CDA benefits in their operations,
- adopts the ethics code
- adopts general acts of CDA, which is not passed by the Assembly shall set up commissions and other bodies in accordance with law,
- adopt its work, perform other tasks stipulated by law, the Statute and the decisions of the general meeting of shareholders.

How are the roles and objectives of management set and evaluated?

Performing the role and fulfilling goals of the Management Board is evaluated by the Assembly / owners - shareholders.

To what extent does the CSD's management have the appropriate experience, mix of skills and the integrity necessary for the operation and risk management of the CSD? How does the CSD ensure that this is the case?

The Regulator must approve the selection of CDA Bords of directors, ie. to establish whether the proposed candidates satisfy the conditions,expertise and experience required.

What is the process to remove management if necessary?

Member of the Board of Directors may resign before the expiry of the term of office , which shall inform the Board of Directors at least 14 days in advance.  
The Assembly shall dismiss a member of the Committee if abuse of office commit fraud in relation to the CDA and thus cause considerable damage to CDA, or if is validly convicted of criminal offenses of corruption, as in other cases determined by the law.

What is the risk management framework that has been established by the board?

Risk management is a continuous process of identifying risks and implementing plans and activities to eliminate them or reduce them to an acceptable level. The risk management system of the CDA represents a framework for risk management through the establishment of responsibility for the identification and risk analysis, planning measures to eliminate the risk, their reduction of risk to acceptable levels and monitoring risk. It is emphasized that, although the responsibility for risk management and monitoring is assigned to the highest level of the Management Board of the Company, active support and involvement of all managers and other workers is mandatory.

How is it documented?

- Risk management strategy adopted by BoD
- periodically internal controls and reporting

How does this framework address the CSD's risk tolerance policy, assign responsibilities and accountability for risk decisions (such as limits on risk exposures), and address decision-making in crises and emergencies?

The CDA keeps a detailed description with all necessary data on the identified risks with estimated probabilities of occurrence of each risk and its impact on the Company, the measures taken and that should be implemented to minimize the impact of risk , deadlines and persons responsible for the implementation of the above measures.

What is the process for determining, endorsing and reviewing the risk management framework?

Risk management system is continuously monitored and, if necessary, altered at the proposal of the risk analyst.

What are the roles, responsibilities, authority, reporting lines and resources of the risk management and audit functions?

Risk analyst is responsible for:

- conducting risk assessment on daily operations ,
- Risk identification in daily operations and their documentation
- collecting information on identified risks,
- implementation of subsequent assessment of measures taken with the purpose of minimizing / eliminating risks,
- reporting to the CEO on all important issues in the field of risk management,
- Informing workers about identified risks,
- fostering a culture of awareness of importance of risk management in the Company within their organizational units.

The internal control function, based on acts of the CDA, has the obligation of conducting periodic inspections of the CDAs' operations in accordance with the identified risks.

How does the board ensure that there is adequate governance surrounding the adoption and use of risk management models? How are these models and the related methodologies validated?

How does the CSD identify and take account of the interests of the CSD's participants and other relevant stakeholders in its decision-making in relation to its design, rules, overall strategy and major decisions?

Rules of the CDA prescribe the reporting procedure of all members and gathering their comments and suggestions when altering the CDA system, as well as a preliminary process to harmonize points of view with the regulator.

How does the board consider the views of direct and indirect participants and other relevant stakeholders on these decisions, for example, are participants included on the risk management committee, on user committees such as a default management group or through a public consultation?

How are conflicts of interest between stakeholders and the CSD identified, and how are they addressed?

To what extent does the CSD disclose major decisions made by the board to relevant stakeholders and, where appropriate, the public?

CDA publishes its decisions to the extent and in a manner prescribed by the CDA Rules and other relevant legislative.

Add relevant appendices for this group.

CDA rules.pdf (407KB) statuteCDA Statute - montenegrin.pdf (174KB) rules

filecount - Add relevant appendices for this group.

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### Comprehensive risk management (PFMI Principle 3)

Summary narrative for PFMI Principle 3. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

What types of risk arise in or are borne by the CSD?

CDA is exposed to various types of risks with regard to the type of activity and the role it has in the capital market, but main risk is operational.

Any direct damages or losses to participants caused by the CSD as a result of force majeure events, acts of God, or political events, etc.?

No [A02]

Any direct damages or losses to participants caused by the CSD as a result of force majeure events, acts of God, or political events, etc.? Other

If yes, please check all of the following that apply: Financial limits are imposed on the amount of liability assumed by the CSD

If yes, please check all of the following that apply: The CSD assumes liability for direct losses

If yes, please check all of the following that apply: The CSD assumes liability for indirect or consequential losses

If yes, please check all of the following that apply: Other

In all cases where the CSD assumes responsibility for direct or indirect or consequential losses, is the CSD's liability limited by a standard of care determination?

Other [-oth-]

In all cases where the CSD assumes responsibility for direct or indirect or consequential losses, is the CSD's liability limited by a standard of care determination? Other

The depository assumes liability for direct losses.

Please define the standard of care applied:

What are the CSD's policies, procedures and controls to help identify, measure, monitor and manage the risks that arise in or are borne by the CSD?

Risk management strategy, internal control.

Measures for risk management are:

- Avoidance, ie, interruption of operations and / or circumstances from which the risk arises.

Avoiding Risk is an

extreme variant that involves the complete removal of risk,

- Submission, ie. not taking any measures. The risk is tolerated (no countermeasures are taken)

mainly in two

cases:

o the assessment of the likelihood and impact of risks is very low

o the reduction or risk transfer would cause significant expenses,

- Treatment, ie. taking measures to reduce the impact and / or frequency of risks.

What risk management systems are used by the CSD to help identify, measure, monitor and manage its range of risks?

Risk analyst is operationally carried out by the following steps:

1. Determination (identification) of risk,

2. Collection of the identified risks and the creation of risk base,

3. Unification and measurement techniques / risk assessment,

4. Measures for risk management,

5. Notifying the CEO,

6. Adopting the plan for implementation of measures,

7. Feedback to risk coordinators and workers,

8. Supervision of the implementation of measures and updating the risk status.

How do these systems provide the capacity to aggregate exposures across the CSD and, where appropriate, other relevant parties, such as the CSD's participants and their customers?

The system for identifying risks does not include Members and Members' clients exposure.

What is the process for developing, approving and maintaining risk management policies, procedures and systems?

How does the CSD assess the effectiveness of risk management policies, procedures and systems?

Risk management system of the CDA are constantly monitored through a system of internal control.

How frequently are the risk management policies, procedures and systems reviewed and updated by the CSD? How do these reviews take into account fluctuation in risk intensity, changing environments and market practices?

Risk management system of the CDA is periodically evaluated taking into consideration the current legislative, state within the Company and capital markets and the overall business environment.

What information does the CSD provide to its participants and, where relevant, their customers to enable them to manage and contain the risks they pose to the CSD?

CDA makes available all necessary information to its members through its system.

What incentives does the CSD provide for participants and, where relevant, their customers to monitor and manage the risks they pose to the CSD?

CDA, through its system, provides detailed information necessary for members to manage and limit risks. CDA uses a system of fines for cases of omission of members in the settlement system.

How does the CSD design its policies and systems so that they are effective in allowing their participants and, where relevant, their customers to manage and contain their risks?

The system of the CDA allows "on-line" access to all transaction data for its members.

How does the CSD identify the material risks that it bears from and poses to other entities as a result of interdependencies? What material risks has the CSD identified?

1. Methods that CDA uses in the identification of risk:

- „Brainstorming“ within the organizational unit or beyond - specifically organized meetings to identify risks to which business operations are exposed to,
- Conducting a survey among the workers - specifically targeted organized survey of workers by certain operational issues that may expose the Company to risks,
- Analysis of indicators of economy and financial security, time series analysis,
- Detailed analysis of the organization, process, control and decision making processes.

2. Identification of risk is carried out by reporting basic information about the risk:

- Description of risk (including a description of risk situations and areas of business which the risk affects),
- Category and type of of risk,
- Initial risk assessment (assessment of the frequency / likelihood of risk occurrence and risk impact assessment),
- Description of risk impact,
- Recommendations for reducing risk,
- Person responsible for monitoring and reducing risks.

The results gathered this way are entered in the risk base. The Risk base represents a unified risk database at

Company level.

3. Risks are assessed on the basis of two indicators::

- The frequency / likelihood of risk occurrence,
- Risk impact (consequences caused by risk).

Risk assessment is a process based on an assessment based on knowledge and experience in a specific area, as well as a level of information available. Risk measurement techniques are defined separately for each type of identified risks.

CDA has found that the most important risks in this context are operational risks and the risks information technologies.

How are these risks measured and monitored? How frequently does the CSD review these risks?

Special attention is given to constant monitoring of the information system and adjusting key parameters, routine maintenance and planned upgrades of hardware and new versions of software. Application support includes a set of built-in controls that are regularly reviewed and upgraded. The importance of training for IT staff and users of information systems in the CDA is emphasized.

What risk management tools are used by the CSD to address the risks arising from interdependencies with other entities?

How does the CSD assess the effectiveness of these risk management tools? How does the CSD review the risk management tools it uses to address these risks? How frequently is this review conducted?

How does the CSD identify scenarios that may potentially prevent the CSD from providing its critical operations and services? What scenarios have been identified as a result of these processes?

Scenarios that would prevent business operations of the CDA are the following:  
1) Unforeseen circumstances: mainly natural disasters (fire, flood, lightning, earthquake), accidents, big failures, terrorist attacks;  
2) Clients' claim for damages the amount of which the CDA can not compensate;  
3) The withdrawal of the operating license by the regulator.

How do these scenarios take into account both independent and related risks to which the CSD is exposed?

What plans does the CSD have for its recovery or orderly wind-down?

CDA disaster recovery plan (back up, secondary location,...).

How do the CSD's key recovery or orderly wind-down strategies enable the CSD to continue to provide critical operations and services?

How are the plans for the CSD's recovery and orderly wind-down reviewed and updated? How frequently are the plans reviewed and updated?

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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### Credit risk (PFMI Principle 4)

Summary narrative for PFMI Principle 4. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

Does the CSD have a banking license?

No [N]

Irrespective of whether or not the CSD has a banking license, can it offer cash accounts and/or credit to its participants?

No [N]

Please explain:

According to Law on securities, CDA is only authorized for registration of securities and for clearing and settlement, and can not be engaged in lending to a member of the clearing and settlement system, issuer or other persons or perform other operations by which it would take over a credit risk of the counter-party.

What is the CSD's framework for managing credit exposures, including current and potential future exposures, to its participants and arising from its payment, clearing and settlement processes?

The system for managing credit exposures to the members is described in the CDA Rules, part Default procedures as follows.

In the case of failed settlement, CDA has established the following procedures:

(1) if failed transaction is classified for settlement by BIS model 2, CDA activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CDA used from the Guarantee Fund plus the amount of the compensation provided for by the contract. Participant is obliged to make a payment no later than the next business day using the funds of the Guarantee Fund, and this amount will be allocate by first settled funds of other participants that were used from the Guarantee Fund. The remaining amount of the compensation shall be paid into the Guarantee Fund and for that amount equally increases the basic contributions of all Participants. If a participant fails to make payment to the Guarantee Fund will have been suspended and the CDA will launch legally prescribed actions for the settlement of these claims in court.

(2) in the case of "rejected" transaction on T+0 or "failed" transaction classified for settlement by BIS model 1, CDA imposing the suspension of the Participant who caused this failure and the suspension lasts until the payment contractual penalty in favor of the Guarantee Fund, while failed transaction is subject of cancelation or waiting for the fulfillment of obligations (depending on the expressed will of the "correct" side).

How frequently is the framework reviewed to reflect the changing environment, market practices and new products?

The assessment and upgrade of the risk management system takes place when CDA changes the Rules.

How does the CSD identify sources of credit risk? What are the sources of credit risk that the CSD has identified?

CDA does not offer loan for cash nor for Securities to its members.

How does the CSD measure and monitor credit exposures? How frequently does and how frequently can the CSd recalculate these exposures? How timely is the information?

CDA does not offer loan for cash nor for Securities to its members.

What tools does the CSD use to control identified sources of credit risk (for example, offering an RTGS or DvP settlement mechanism, limiting net debits or intraday credit, establishing concentration limits, or marking positions to market on a daily or intraday basis)? How does the CSD measure the effectiveness of these tools?

CDA is established following main principles for clearing and settlement:

- DVP (delivery vs payment) principle: transfer of securities from the seller to the buyer account (delivery) occurring almost at the same time (with couple minutes time lag) as payment - final transfer of funds from the CDA cash pool account (opened with CBM – central bank money, using RTGS system) to the seller's Participant commercial banking account;

- Settlement on the second business day after the transaction conclusion on the Stock Exchange (T+2), with the possibility of: (1) shortened settlement cycle (T+0, T+1) after the approval of both parties, and (2) extended settlement cycle (T+3) in case the payment is made by delivery of other securities;

- Settlement according BIS Model 2 (Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers) if the stock exchange transaction meets the following conditions: (1) the Settlement day is T+2 and the method of payment is money (not payable with other securities),

- (2) there are enough available securities on the seller account, and

- (3) the each transaction value is less than the daily limit value per transaction (calculated by the sum of net cash debts of all Participants not exceed 50% of the current value of Guarantee fund). The transactions in which the same settling participant represents the both (buying and selling) sides are settled by BIS model 2 regardless of the transaction value amount, if they meet the previous two conditions

If the stock-exchange transaction not meets all listed conditions, it will be settle through BIS Model 1 (Gross, Simultaneous Settlements of Securities and Funds Transfers), without guarantee.

- the existence of the Guarantee Fund as security for successful settlement of all transactions classified for settlement by BIS model 2

For failed settlement, CDA activates the Default procedures.

How does the SSS cover its current and, where they exist, potential future exposures to each participant? What is the composition of the CSD's financial resources used to cover these exposures? How accessible are these financial resources?

CDA does not offer loan for cash nor for Securities to its members.

Does the CSD have a guaranty fund independent of stock exchange or other market guarantees?

Yes [A01]

Does the CSD have a guaranty fund independent of stock exchange or other market guarantees?  
Other

If yes, please respond to the following questions: What is the size of the fund?

About 16.000 EUR, which is about 10 % of the average daily trading turnover on Montenegro stock exchange

How is the size of the fund determined?

Other [-oth-]

How is the size of the fund determined? Other

Guarantee fund consists of two parts: fixed part (annual basic contributions which are equal for all participants and equal to 2% of the minimum statutory brokerage capital) and additional part (additional monthly contributions determined in relation to activity of each participant in previous month).

How is the fund financed?

Contributions from participants [A02]

How is the fund financed? Other

If so, what is the amount or percentage per owner?

If so, what is the amount or percentage per participant?

Basic annual contribution is calculating on the beginning of the year as the average daily net cash debt of all Participants in the previous year, times three (but not less than 2% of the minimum statutory brokerage capital - currently it is 500 EUR). Additional monthly contribution is the difference between the average net cash debt of the Participant in the previous month and the amount of basic contribution.

Who is covered by the fund? Direct CSD participants only

Yes [Y]

Who is covered by the fund? The beneficial owner also

Who is covered by the fund? Other

When is the guaranty fund used? When a broker defaults

When is the guaranty fund used? When a direct participant defaults

Yes [Y]

When is the guaranty fund used? Other

To what extent do these financial resources cover the payment system's or SSS's current and potential future exposures fully with a high degree of confidence? How frequently does the payment system or SSS evaluate the sufficiency of these financial resources?

It is applied into the calculation of the Additional monthly contribution to Guarantee fund for each Participant.

If the payment system or SSS is a DNS system in which there is no settlement guarantee, do its participants face credit exposures arising from the payment, clearing and settlement processes? If there are credit exposures in the system, how does the system monitor and measure these exposures?

It is subject of Default procedures in manner that CDA imposing the suspension of the Participant who caused the failure and the suspension lasts until the payment contractual penalty in favor of the Guarantee Fund, while failed transaction is subject of cancelation or waiting for the fulfillment of obligations (depending on the expressed will of the "correct" side). CDA doesn't measure these exposures.

Does the CSD have insurance to cover losses in the event of Default on settlement commitments by the CSD or a participant?

Not applicable [A03]

Does the CSD have insurance to cover losses in the event of Default on settlement commitments by the CSD or a participant? Other

What is the amount of the coverage?

What is the amount of the deductible?

Please explain other loss or default protections:

see answer 114

Does the CSD accept liability (independent of any insurance coverage) for the following: Any direct damages or losses to participants caused by the CSD in its capacity as a central counterparty?

Not applicable [A03]

Does the CSD accept liability (independent of any insurance coverage) for the following: Any direct damages or losses to participants caused by the CSD in its capacity as a central counterparty? Other

If yes, please check all of the following that apply: Financial limits are imposed on the amount of liability assumed by the CSD

If yes, please check all of the following that apply: The CSD assumes liability for direct losses

If yes, please check all of the following that apply: The CSD assumes liability for indirect or consequential losses

If yes, please check all of the following that apply: Other

If the payment system or SSS is a DNS system in which there is no settlement guarantee and has credit exposures among its participants, to what extent does the payment system's or SSS's financial resources cover, at a minimum, the default of the two participants and their affiliates that would create the largest aggregate credit exposure in the system?

see answer 129

How do the CSD's rules and procedures explicitly address any credit losses it may face as a result of any individual or combined default among its participants with respect to any of their obligations to the CSD? How do the CSD's rules and procedures address the allocation of uncovered credit losses and in what order, including the repayment of any funds a CSD may borrow from liquidity providers?

CDA imposing the suspension of the Participant who caused the failure and the suspension lasts until the payment contractual penalty in favor of the Guarantee Fund.

What are the CSD's rules and procedures on the replenishment of the financial resources that are exhausted during a stress event?

CDA imposing the suspension of the Participant who caused the failure and the suspension lasts until the payment contractual penalty in favor of the Guarantee Fund (GF).

Funds of GF CDA hold the CDA cash pool account and do not take any compensation for the management of these funds, as Guarantee fund belong jointly to all registered Participants and are not included in the assets of CDA.

(Up to the amount of the Guarantee Fund), CDA guarantees the successfully and on time settlement by BIS model 2, in a way that would activate the Guarantee Fund in the event that an Participant does not settle in time its net monetary liabilities. In the case of extreme discharge of GF, CDA will automatically carry out the recalculation of the transactions settle by BIS model 2 (according to proscribed conditions).

CDA cannot guarantee for the settlement of monetary obligations between participant and its client, arising on transactions from BIS model 2 settlements. Rights and obligations between the participants from each transaction do not stop even when the transaction is included BIS model 2 settlements.

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Collateral (PFMI Principle 5)

Summary narrative for PFMI Principle 5. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

How does the CSD determine whether a specific asset can be accepted as collateral, including collateral that will be accepted on an exceptional basis? How does the CSD determine what qualifies as an exceptional basis? How frequently does the CSD adjust these determinations? How frequently does the CSD accept collateral on an exceptional basis, and does it place limits on its acceptance of such collateral?

Not applicable.

How does the CSD monitor the collateral that is posted so that the collateral meets the applicable acceptance criteria?

n/a

How does the CSD identify and mitigate possible specific wrong-way risk, for example, by limiting the collateral it accepts (including collateral concentration limits)?

n/a

How frequently does the CSD mark its collateral to market, and does it do so at least daily?

n/a

To what extent is the CSD authorised to exercise discretion in valuing assets when market prices do not represent their true value?

n/a

How does the CSD determine haircuts?

n/a

How does the CSD test the sufficiency of haircuts and validate its haircut procedures, including with respect to the potential decline in the assets' value in stressed market conditions involving the liquidation of collateral? How frequently does the CSD complete this test?

n/a

How does the CSD identify and evaluate the potential procyclicality of its haircut calibrations? How does the CSD consider reducing the need for procyclical adjustments – for example, by incorporating periods of stressed market conditions during the calibration of haircuts?

n/a

What are the CSD's policies for identifying and avoiding concentrated holdings of certain assets in order to limit potential adverse price effects at liquidation? What factors (for example, adverse price effects or market conditions) are considered when determining these policies?

n/a

How does the CSD review and evaluate concentration policies and practices to determine their adequacy? How frequently does the CSD review and evaluate these policies and practices?

n/a

What are the legal, operational, market and other risks that the CSD faces by accepting cross-border collateral? How does the CSD mitigate these risks?

n/a

How does the CSD ensure that cross-border collateral can be used in a timely manner?

n/a

What are the primary features of the CSD's collateral management system?

n/a

How and to what extent does the CSD track the reuse of collateral and its rights to the collateral provided?

n/a

How and to what extent does the CSD's collateral management system accommodate changes in the ongoing monitoring and management of collateral?

n/a

To what extent is the collateral management system staffed to ensure smooth operations even during times of market stress?

n/a

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Liquidity risk (PFMI Principle 7)

Summary narrative for PFMI Principle 7. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

What is the CSD's framework for managing its liquidity risks, in all relevant currencies, from its participants, settlement banks, nostro agents, custodian banks, liquidity providers and other entities?

Up to the amount of the Guarantee Fund, CDA guarantees the successfully and on time settlement by BIS model 2, in a way that would activate the Guarantee Fund in the event that an Participant does not settle in time its net monetary liabilities.  
CDA cannot guarantee for the settlement of monetary obligations between participant and its client, arising on transactions from BIS model 2 settlements. Rights and obligations between the participants from each transaction do not stop even when the transaction is included BIS model 2 settlements.  
Settlement via BIS Model 1 is not guaranteed, so CDA is not exposed to liquidity risk.  
CDA is not exposed to liquidity risk when carrying out corporate actions and other non-market transfers, because the money funds required for allocation are legally separated from CDA.

What are the nature and size of the CSD's liquidity needs, and the associated sources of liquidity risks, that arise in the CSD in all relevant currencies?

CDA carries out clearing and settlement only in EUR. Clearing is performed on DvP principle, and the settlement is performed on the accounts of the central bank in the Real Time Gross Settlement System RTGS.  
Daily liquidity needs are secured by contracts with commercial banks.

How does the CSD take into account the potential aggregate liquidity risk presented by an individual entity and its affiliates that may play multiples roles with respect to the CSD?

see answers 159 and 160

What operational and analytical tools does the CSD have to identify, measure and monitor settlement and funding flows?

CDA has an integrated interactive system with the appropriate interface for daily supervision of liquidity risk, which provides all necessary information about the course of funds and financial instruments, the settlement status and expected inflows and outflows for the following days.

How does the CSD use those tools to identify, measure and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity?

CDA has an integrated interactive system with the appropriate interface for daily supervision of liquidity risk, which provides all necessary information about the course of funds and financial instruments, the settlement status and expected inflows and outflows for the following days.

How does the payment system or SSS determine the amount of liquid resources in all relevant currencies to effect same day settlement and, where appropriate, intraday or multiday settlement of payment obligations? What potential stress scenarios (including, but not limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions) does the payment system or SSS use to make this determination?

CDA cash pool account (which is used for settlement) is open with Central Bank of Montenegro (CBM) and CDA is RTGS member. CDA has an integrated interactive system with the appropriate interface for daily supervision of liquidity risk, which provides all necessary information about the course of funds and financial instruments, the settlement status and expected inflows and outflows for the following days. For cases of settlement failure, CDA uses Guarantee fund which is also deposited on CDA cash pool account with CBM and promptly available.

What is the estimated size of the liquidity shortfall in each currency that the payment system or SSS would need to cover?

it depends of size of trading volume and daily calculated for actual settlements (for two business days)

How does the CCP determine the amount of liquid resources in all relevant currencies to settle securities-related payments, make required variation margin payments and meet other payment obligations on time? What potential stress scenarios (including, but not limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions) does the CCP use to make this determination?

n/a

What is the estimated size of the liquidity shortfall in each currency that would need to be covered, following the default of the participant and its affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions? How frequently does the CCP estimate this?

n/a

Do any of the CCP's activities have a more complex risk profile (such as clearing financial instruments that are characterised by discrete jump-to-default price changes or that are highly correlated with potential participant defaults)? Is the CCP systemically important in multiple jurisdictions?

n/a

If the CCP is involved in activities with a more complex risk profile or is systemically important in multiple jurisdictions, has the CCP considered maintaining additional resources sufficient to cover a wider range of stress scenarios that would include the default of the two participants and their affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions?

n/a

What is the size and composition of the CSD's qualifying liquid resources in each currency that is held by the CSD? In what manner and within what time frame can these liquid resources be made available to the CSD?

Guarantee fund current amount, immediately available

What prearranged funding arrangements has the CSD established to convert its readily available collateral and investments into cash? How has the CSD established that these arrangements would be highly reliable in extreme but plausible market conditions? Has the CSD identified any potential barriers to accessing its liquid resources?

n/a

If the CSD has access to routine credit at the central bank of issue, what is the CSD's relevant borrowing capacity for meeting its minimum liquid resource requirement in that currency?

n/a

To what extent does the size and the availability of the CSD's qualifying liquid resources cover its identified minimum liquidity resource requirement in each currency to effect settlement of payment obligations on time?

Guarantee fund current amount

What is the size and composition of any supplemental liquid resources available to the CSD?

n/a

How and on what basis has the CSD determined that these assets are likely to be saleable or acceptable as collateral to obtain the relevant currency, even if this cannot be reliably prearranged or guaranteed in extreme market conditions?

n/a

What proportion of these supplemental assets qualifies as potential collateral at the relevant central bank?

n/a

In what circumstances would the CSD use its supplemental liquid resources in advance of, or in addition to, using its qualifying liquid resources?

n/a

To what extent does the size and availability of the CSD's supplemental liquid resources, in conjunction with its qualifying liquid resources, cover the relevant liquidity needs identified through the CSD's stress test programme for determining the adequacy of its liquidity resources (see key consideration 9)?

n/a

Does the CSD use a liquidity provider to meet its minimum required qualifying liquidity resources? Who are the CSD's liquidity providers? How and on what basis has the CSD determined that each of these liquidity providers has sufficient information to understand and to manage their associated liquidity risk in each relevant currency on an ongoing basis, including in stressed conditions?

n/a

How has the CSD determined that each of its liquidity providers has the capacity to perform on its commitment in each relevant currency on an ongoing basis?

n/a

How does the CSD take into account a liquidity providers potential access to credit at the central bank of issue?

n/a

How does the CSD regularly test the timeliness and reliability of its procedures for accessing its liquid resources at a liquidity provider?

n/a

To what extent does the CSD currently have, or is the CSD eligible to obtain, access to accounts, payment services and securities services at each relevant central bank that could be used to conduct its payments and settlements and to manage liquidity risks in each relevant currency?

CDA performs clearing and settlement only in EUR and has access to the settlement account at the central bank. Services related to securities are carried out only as its core business.

To what extent does the CSD use each of these services at each relevant central bank to conduct its payments and settlements and to manage liquidity risks in each relevant currency?

n/a

If the CSD employs services other than those provided by the relevant central banks, to what extent has the CSD analysed the potential to enhance the management of liquidity risk by expanding its use of central bank services?

n/a

What, if any, practical or other considerations to expanding its use of relevant central bank services have been identified by the CSD?

not identified

How does the CSD use stress testing to determine the amount and test the sufficiency of its liquid resources in each currency? How frequently does the CSD stress-test its liquid resources?

n/a

What is the process for reporting on an ongoing basis the results of the CSD's liquidity stress tests to appropriate decision-makers at the CSD? for the purpose of supporting their timely evaluation and adjustment of the size and composition of the CSD's liquidity resources and liquidity risk management framework?

n/a

What scenarios are used in the stress tests, and to what extent do they take into account a combination of peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions?

n/a

To what extent do the scenarios and stress tests take into account the CSD's particular payment and settlement structure (for example, real-time gross or deferred net, with or without a settlement guarantee, DVP model 1, 2 or 3 for SSSs), and the liquidity risk that is borne directly by the CSD? by its participants, or both?

n/a

To what extent do the scenarios and stress tests take into account the nature and size of the liquidity needs, and the associated sources of liquidity risks, that arise in the CSD to settle its payment obligations on time, including the potential that individual entities and their affiliates may play multiples roles with respect to the CSD?

n/a

How frequently does the CSD assess the effectiveness and appropriateness of stress test assumptions and parameters? How does the CSD's stress test programme take into account various conditions, such as a sudden and significant increase in position and price volatility, position concentration, change in market liquidity, and model risk including shift of parameters?

n/a

How does the CSD validate its risk management model? How frequently does it perform this validation?

n/a

Where and to what extent does the CSD document its supporting rationale for, and its governance arrangements relating to, the amount and form of its total liquid resources?

n/a

How do the CSD's rules and procedures enable it to settle payment obligations on time following any individual or combined default among its participants?

In the case of failed settlement, CDA has established the following procedures:  
(1) if failed transaction is classified for settlement by BIS model 2, CDA activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CDA used from the Guarantee Fund plus the amount of the compensation provided for by the contract. Participant is obliged to make a payment no later than the next business day using the funds of the Guarantee Fund, and this amount will be allocate by first settled funds of other participants that were used from the Guarantee Fund. The remaining amount of the compensation shall be paid into the Guarantee Fund and for that amount equally increases the basic contributions of all Participants. If a participant fails to make payment to the Guarantee Fund will have been suspended and the CDA will launch legally prescribed actions for the settlement of these claims in court.  
(2) in the case of "rejected" transaction on T+0 or "failed" transaction classified for settlement by BIS model 1, CDA imposing the suspension of the Participant who caused this failure and the suspension lasts until the payment contractual penalty in favor of the Guarantee Fund, while failed transaction is subject of cancelation or waiting for the fulfillment of obligations (depending on the expressed will of the "correct" side).

How do the CSD's rules and procedures address unforeseen and potentially uncovered liquidity shortfalls and avoid unwinding, revoking or delaying the same day settlement of payment obligations?

see answer 195

How do the CSD's rules and procedures allow for the replenishment of any liquidity resources employed during a stress event?

see answer 195

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Settlement finality (PFMI Principle 8)

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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Summary narrative for PFMI Principle 8. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

At what point is the settlement of a payment, transfer instruction or other obligation final, meaning irrevocable and unconditional? Is the point of settlement finality defined and documented? How and to whom is this information disclosed?

Settlement is final according to Law on securities and CDA rules, which means that Settlement Finality Act have practically implemented in the Montenegro legal system.

Extract from CDA rules:

Settlement is final and irrevocable transfer of equity positions from the seller account to the buyer account, with a simultaneous transfer of funds from the CDA cash pool account to a cash bank account of the Participant represent seller side (BIS model 1) and / or Participant net claimant (BIS model 2).

The provisions of the Settlement Finality are listed in the CDA Rules and are available to members of the CDA and the public on [www.cda.me](http://www.cda.me).

How does the CSD's legal framework and rules, including the applicable insolvency law(s), acknowledge the discharge of a payment, transfer instruction or other obligation between the CSD and its participants, or between participants?

Withdrawal from obligations of settlement of cash funds and financial instruments is defined in CDA Rules in way as soon as the CDA receives notification from the relevant court on initiating insolvency proceedings against participant member, the CDA shall prevent the participant from using clearing and settlement system, except for those necessary to settle obligations in the system on the day the proceedings are initialized (for settling transactions for which settlement date has come).

In the case of failed settlement, the Default procedure are apply:

(1) if failed transaction is classified for settlement by BIS model 2, CDA activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CDA used from the Guarantee Fund plus the amount of the compensation provided for by the contract. Participant is obliged to make a payment no later than the next business day using the funds of the Guarantee Fund, and this amount will be allocate by first settled funds of other participants that were used from the Guarantee Fund. The remaining amount of the compensation shall be paid into the Guarantee Fund and for that amount equally increases the basic contributions of all Participants. If a participant fails to make payment to the Guarantee Fund will have been suspended and the CDA will launch legally prescribed actions for the settlement of these claims in court.

(2) in the case of "rejected" transaction on T+0 or "failed" transaction classified for settlement by BIS model 1, CDA imposing the suspension of the Participant who caused this failure and the suspension lasts until the payment contractual penalty in favor of the Guarantee Fund, while failed transaction is subject of cancelation or waiting for the fulfillment of obligations (depending on the expressed will of the "correct" side).

How does the CSD demonstrate that there is a high degree of legal certainty that finality will be achieved in all relevant jurisdictions (for example, by obtaining a well reasoned legal opinion)?

CDA doing business only in Montenegro jurisdiction.

How does the CSD ensure settlement finality in the case of linkages with other CSD?? a) For an SSS, how is consistency of finality achieved between the SSS and, if relevant, the LVPS where the cash leg is settled? b) For a CCP for cash products, what is the relation between the finality of obligations in the CCP and the finality of the settlement of the CCP claims and obligations in other systems, depending on the rules of the relevant CSD/SSS and payment system?

CDA has not any link with other CSD.

Is the CSD designed to complete final settlement on the value date (or same day settlement)? How does the CSD ensure that final settlement occurs no later than the end of the intended value date?

Yes, Settlement is performed in real time or at periodically conducted processing during the intended settlement date.

Has the CSD ever experienced deferral of final settlement to the next business day that was not contemplated by its rules, procedures or contracts? If so, under what circumstances? If deferral was a result of the CSD's actions, what steps have been taken to prevent a similar situation in the future?

CDA had no cases of delayed settlement which are not in accordance with the acts of the CDA.

Does the CSD provide intraday or real-time final settlement? If so, how? How are participants informed of the final settlement?

Settlement is performed in real time or at periodically conducted processing during the intended settlement date.

Participant members are interactive users of the system and all messages are available to them in real time.

If settlement occurs through multiple-batch processing, what is the frequency of the batches and within what time frame do they operate? What happens if a participant does not have enough funds or securities at the settlement time? Are transactions entered in the next batch? If so, what is the status of those transactions and when would they become final?

CDA settles transactions through several batches between 10:00 and 12:00 on T+2. Unsettled transactions enter in the next batch, and after 12:00 CDA activates Guarantee fund if it is necessary.

If settlement does not occur intraday or in real time, how has the LVPS or SSS considered the introduction of either of these modalities?

n/a

How does the CSD define the point at which unsettled payments, transfer instructions or other obligations may not be revoked by a participant? How does the CSD prohibit the unilateral revocation of accepted and unsettled payments, transfer instructions or obligations after this time?

Revocation are prohibit according CDA rules which proscribe that all matched and accepted transactions can not be canceled, except in the conditions defined in Default procedures.

Under what circumstances can an instruction or obligation accepted by the system for settlement still be revoked (for example, queued obligations)? How can an unsettled payment or transfer instruction be revoked? Who can revoke unsettled payment or transfer instructions?

Transaction could be canceled only upon the Montenegro Securities Commission or the Court decision or in the case of failed settlement (BIS model 1) if the parties so agreed (Default Procedures of CDA Rules).

Under what conditions does the CSD allow exceptions and extensions to the revocation deadline?

none.

Where does the CSD define this information? How and to whom is this information disclosed?

CDA Rules - Default Procedures.

## Money settlements (PFMI Principle 9)

Summary narrative for PFMI Principle 9. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

How does the CSD conduct money settlements? If the CSD conducts settlement in multiple currencies, how does the CSD conduct money settlement in each currency?

Settlement of cash funds is carried out in the system of the Central bank Montenegro (RTGS - Real Time Gross Settlement). CDA performs settlement only in EUR.

Who accepts cash deposits (or makes payment credit accommodations) for CSD transactions?  
CSD

Yes [Y]

Who accepts cash deposits (or makes payment credit accommodations) for CSD transactions?  
Central Bank

Yes [Y]

Who accepts cash deposits (or makes payment credit accommodations) for CSD transactions?  
Banks appointed by CSD

Who accepts cash deposits (or makes payment credit accommodations) for CSD transactions?  
Neither or others (e.g. credit lines used)

---

Who accepts cash deposits (or makes payment credit accommodations) for CSD transactions?  
Not applicable

---

Who accepts cash deposits (or makes payment credit accommodations) for CSD transactions?  
Other

---

Please indicate the name of the banks appointed by the CSD

---

Who processes cash clearing (or draws on credit lines, if applicable) for CSD transactions? CSD

Yes [Y]

Who processes cash clearing (or draws on credit lines, if applicable) for CSD transactions?  
Central Bank

Yes [Y]

Who processes cash clearing (or draws on credit lines, if applicable) for CSD transactions?  
Banks appointed by the CSD

---

Who processes cash clearing (or draws on credit lines, if applicable) for CSD transactions?  
Neither or others (e.g. credit lines used)

---

Who processes cash clearing (or draws on credit lines, if applicable) for CSD transactions? Not applicable

Who processes cash clearing (or draws on credit lines, if applicable) for CSD transactions? Other

Please name banks appointed by the CSD

Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)?  
CSD

Yes [Y]

Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)?  
Central Bank

Yes [Y]

Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)?  
Banks appointed by CSD

Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)?  
Neither or others (e.g. credit lines used)

Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)?  
Not applicable

Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)?  
Other

Please name banks appointed by the CSD

n/a

Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)?  
CSD

Yes [Y]

Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)?  
Central Bank

Yes [Y]

Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)?  
Banks appointed by CSD

Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)?  
Neither or others (e.g. credit lines used)

Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)?  
Not applicable

Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)?  
Other

Please name banks appointed by CSD

n/a

If the CSD does not settle in central bank money, why is that?

n/a

If central bank money is not used, how does the CSD assess the credit and liquidity risks of the settlement asset used for money settlement?

n/a

If the CSD settles in commercial bank money, how does the CSD select its settlement banks? What are the specific selection criteria the CSD uses?

n/a

How does the CSD monitor the settlement banks adherence to criteria it uses for selection? For example, how does the CSD evaluate the banks regulation, supervision, creditworthiness, capitalisation, access to liquidity and operational reliability?

n/a

How does the CSD monitor, manage and limit its credit and liquidity risks arising from the commercial settlement banks? How does the CSD monitor and manage the concentration of credit and liquidity exposures to these banks?

n/a

How does the CSD assess its potential losses and liquidity pressures as well as those of its participants if there is a failure of its largest settlement bank?

n/a

If an CSD conducts money settlements on its own books, how does it minimise and strictly control its credit and liquidity risks?

n/a

Do the CSD's legal agreements with its settlement banks state when transfers occur, that transfers are final when effected, and that funds received are transferable?

n/a

Are funds received transferable by the end of the day at the latest? If not, why? Are they transferable intraday? If not, why?

n/a

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

0

## Physical deliveries (PFMI Principle 10)

Summary narrative for PFMI Principle 10. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

Which asset classes does the CSD accept for physical delivery?

CDA operates with dematerialized securities only, and securities are handled only inside depository.

How does the CSD define its obligations and responsibilities with respect to the delivery of physical instruments or commodities? How are these responsibilities defined and documented? To whom are these documents disclosed?

n/a

How does the CSD engage with its participants to ensure they have an understanding of their obligations and the procedures for effecting physical delivery?

n/a

How are eligible securities lodged in the CSD system? A registered certificate in the name of the CSD is delivered to the CSD.

How are eligible securities lodged in the CSD system? A participant delivers the security with a valid transfer deed or stock power or other transfer document to the CSD which then effects registration.

How are eligible securities lodged in the CSD system? A registrar re-registers the security in the name of the CSD.

How are eligible securities lodged in the CSD system? Not applicable

Yes [Y]

How are eligible securities lodged in the CSD system? Other

When are securities lodged into the CSD reflected in a participant's CSD account? Securities are reflected in the participant's CSD account immediately upon delivery to the CSD.

When are securities lodged into the CSD reflected in a participant's CSD account? Securities are re-registered prior to being reflected in the participant CSD account.

When are securities lodged into the CSD reflected in a participant's CSD account? Not applicable

Yes [Y]

When are securities lodged into the CSD reflected in a participant's CSD account? Other

How long does it usually take to lodge securities with the CSD?

Not applicable [A05]

How long does it usually take to lodge securities with the CSD? Other

Please specify

During the process of lodging securities into the CSD, can the securities be traded?

Not applicable [A03]

During the process of lodging securities into the CSD, can the securities be traded? Other

During the process of lodging securities into the CSD, can the securities be settled?

Not applicable [A03]

During the process of lodging securities into the CSD, can the securities be settled? Other

During the process of lodging securities into the CSD, can the securities have ownership transferred?

Not applicable [A03]

During the process of lodging securities into the CSD, can the securities have ownership transferred? Other

If they cannot be traded, or if you answered other, please explain

If they cannot be settled, or if you answered other, please explain

If ownership cannot be transferred, or if you answered other, please explain

Are securities immediately available for delivery upon transfer to the CSD?

Not applicable [A03]

Are securities immediately available for delivery upon transfer to the CSD? Other

If no: Securities are unavailable for

If no: Securities are unavailable for Other

If more than 4 weeks, please specify

If not applicable, please explain

CDA operates with dematerialized securities only, and securities are handled only inside depository.

What transfer process steps are involved when eligible securities are withdrawn from the CSD for safekeeping?

Not applicable [A05]

What transfer process steps are involved when eligible securities are withdrawn from the CSD for safekeeping? Other

How long does it usually take to remove securities from the CSD?

Not applicable [A05]

How long does it usually take to remove securities from the CSD? Other

If more than 4 weeks, please specify

While the securities are being removed from the CSD, can they be traded? (Choose one)

Not applicable [A02]

While the securities are being removed from the CSD, can they be traded? (Choose one) Other

If they cannot be traded please explain

While the securities are being removed from the CSD, can they be settled? (Choose one)

Not applicable [A02]

While the securities are being removed from the CSD, can they be settled? (Choose one) Other

If they cannot be settled, please explain

While the securities are being removed from the CSD, can they have ownership transferred?  
(Choose one)

Not applicable [A02]

While the securities are being removed from the CSD, can they have ownership transferred?  
(Choose one) Other

If ownership cannot be transferred, please explain

How does the CSD identify the risks and costs associated with storage and delivery of physical instruments or commodities? What risks and costs has the CSD identified?

n/a

What are the vault security procedures for the safekeeping of physical paper? Not applicable, no vault is maintained

Yes [Y]

What are the vault security procedures for the safekeeping of physical paper? Electronic keys or combinations

What are the vault security procedures for the safekeeping of physical paper? Dual access control

What are the vault security procedures for the safekeeping of physical paper? Visitor logs

What are the vault security procedures for the safekeeping of physical paper? Vault counts

What are the vault security procedures for the safekeeping of physical paper? Intrusion alarms

What are the vault security procedures for the safekeeping of physical paper? Fire alarms

What are the vault security procedures for the safekeeping of physical paper? Guards

What are the vault security procedures for the safekeeping of physical paper? Other

Please indicate frequency of vault counts:

Please explain:

CDA operates with dematerialized securities only, and securities are handled only inside depository.

What processes, procedures and controls does the CSD have to monitor and manage any identified risks and costs associated with storage and delivery of physical instruments or commodities?

n/a

If an CSD can match participants for delivery and receipt, under what circumstances can it do so, and what are the associated rules and procedures? Are the legal obligations for delivery clearly expressed in the rules and associated agreements?

n/a

How does the CSD monitor its participants' delivery preferences and, to the extent practicable, ensure that its participants have the necessary systems and resources to be able to fulfil their physical delivery obligations?

n/a

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Central Securities Depositories (PFMI Principle 11)

Summary narrative for PFMI Principle 11. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

CSD FUNCTIONALITY AND SERVICES, USE OF AGENTS. Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution. For which of the following security types do you serve as a CSD or clearing system? Government securities

Yes [Y]

CSD FUNCTIONALITY AND SERVICES, USE OF AGENTS. Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution. For which of the following security types do you serve as a CSD or clearing system? Equities

Yes [Y]

CSD FUNCTIONALITY AND SERVICES, USE OF AGENTS. Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution. For which of the following security types do you serve as a CSD or clearing system? Corporate bonds

Yes [Y]

CSD FUNCTIONALITY AND SERVICES, USE OF AGENTS. Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution. For which of the following security types do you serve as a CSD or clearing system? Corporate money market

CSD FUNCTIONALITY AND SERVICES, USE OF AGENTS. Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution. For which of the following security types do you serve as a CSD or clearing system? Not applicable

CSD FUNCTIONALITY AND SERVICES, USE OF AGENTS. Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution. For which of the following security types do you serve as a CSD or clearing system? Other

Municipal bonds, Treasury bills

Please name the other security types:

Municipal bonds, Treasury bills

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Yes by law for settlement of all instrument types

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Yes by law for safekeeping of all instrument types

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Yes by market practice for settlement of all instrument types

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Yes by market practice for safekeeping of all instrument types

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Yes by law for settlement, but not for all instrument types

Yes [Y]

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Yes by law for safekeeping, but not for all instrument type

Yes [Y]

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Yes by market practice for settlement, but not for all instrument types

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Yes by market practice for safekeeping, but not for all instrument types

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Neither

Is the use of the CSD in your market compulsory by law or compulsory by market practice for the settlement or safekeeping of all instrument types in your market (e.g. equities, government securities, corporate bonds, money market instruments, warrants, derivatives etc). Other

Please list the instrument types for which it is not compulsory by law to: (i) settle in your CSD

money market instruments and UCITS

(ii) safekeep in your CSD:

money market instruments and UCITS

Please list the instrument types for which it is not compulsory by market practice to: (i) settle in your CSD

none

(ii) safekeep in your CSD:

none

Settlement and Safekeeping Percentages 28a Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) settled within your institution, exclusive of your links with third parties.

all listed securities in Montenegro stock exchange - 100%  
UCITS - 0%

Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) held in safekeeping within your institution.

all listed securities in Montenegro stock exchange - 100%  
UCITS - 0%

How are the rights of securities issuers and holders safeguarded by the rules, procedures and controls of the CSD?

Law on securities and other regulations in the Montenegro, the Rules and Procedures of the CDA, membership contracts, the Guarantee Fund, as well as other relevant regulations have protected the rights of securities issuers and investors. In case of violation of these rights, issuers of securities and investors have access to all legal means to protect their rights.

In the event a participant's single or main account is blocked for any reason (e.g., insolvency, penalties, violations, liens), would securities held in any account or accounts on behalf of the participant's clients be accessible: By the participant's clients?

Yes [A01]

In the event a participant's single or main account is blocked for any reason (e.g., insolvency, penalties, violations, liens), would securities held in any account or accounts on behalf of the participant's clients be accessible: By the participant's clients? Other

If yes, please describe briefly how clients of participants would access their securities and whether there would be any delay in their ability to do so:

CDA moves securities from client's account position registered with blocked participant to adequate free account position. Then client can choose between other participants and transfer securities to the account position registered with chosen participant.

By the intervening authorities controlling insolvency or other proceedings?

No [A02]

By the intervening authorities controlling insolvency or other proceedings? Other

If yes, please describe briefly under what conditions access would be granted to the intervening authorities:

By the participant's creditors?

No [A02]

By the participant's creditors? Other

If yes, please describe briefly under what conditions access would be granted to the participant's creditors:

By the CSD's creditors?

No [A02]

By the CSD's creditors? Other

If yes, please describe briefly under what conditions access would be granted to the CSD's creditors:

What is your document and record retention policy for documents and records described above in this section?

Other [-oth-]

What is your document and record retention policy for documents and records described above in this section? Other

permanently

Does the law protect participant assets from claims and liabilities of the CSD?

Yes [A01]

Does the law protect participant assets from claims and liabilities of the CSD? Other

Can the CSD assess a lien on participant accounts? (A lien would entitle the CSD to take and hold or sell the securities of the participant in payment of a debt.)

No [A02]

Can the CSD assess a lien on participant accounts? (A lien would entitle the CSD to take and hold or sell the securities of the participant in payment of a debt.) Other

If yes, for what reasons are liens or similar claims imposed? Fees and expenses

If yes, for what reasons are liens or similar claims imposed? Collateralization of overdrafts

If yes, for what reasons are liens or similar claims imposed? To secure payment for purchased securities

If yes, for what reasons are liens or similar claims imposed? Other

Please describe:

not allowed by law

Please indicate the limits of this lien as indicated below:

Other [-oth-]

Please indicate the limits of this lien as indicated below: Other

n/a

Please explain:

If a lien is placed on a participant's account which has been designated for its clients, will the CSD select certain securities to be subject to the lien?

Other [-oth-]

If a lien is placed on a participant's account which has been designated for its clients, will the CSD select certain securities to be subject to the lien? Other

n/a

If yes, please indicate whether:

If yes, please indicate whether: Other

Please explain:

n/a

If no, please indicate whether the entire account will be subject to the lien.

If no, please indicate whether the entire account will be subject to the lien. Other

For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts?

Yes [A01]

For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts? Other

If yes, are the restrictions accomplished by:

Contract between the CSD and the participant [A01]

If yes, are the restrictions accomplished by: Other

Please explain:

Transfer of Legal Ownership. Does the CSD have legal authority to transfer title to securities?

Yes [A01]

Transfer of Legal Ownership. Does the CSD have legal authority to transfer title to securities?  
Other

When does title or entitlement to CSD securities pass between participants?

When the transaction is processed on an intra-day basis [A03]

When does title or entitlement to CSD securities pass between participants? Other

Please describe:

during the settlement

Where does title or entitlement to CSD securities pass between participants?

On the CSD books [A01]

Where does title or entitlement to CSD securities pass between participants? Other

Please describe:

How do the CSD's rules, procedures and controls ensure that the securities it holds on behalf of participants are appropriately accounted for on its books and protected from risks associated with the other services the CSD may provide?

proscribed by Law on securities provisions; The principle of double data entry, the principle of "four eyes", controlling entry and daily conducted checks of data integrity contribute to the security and accuracy of all business processes in the CDA.

In what form does the CSD maintain records identifying the assets of each participant? Computer file

Yes [Y]

In what form does the CSD maintain records identifying the assets of each participant? Microfiche

In what form does the CSD maintain records identifying the assets of each participant? Hard copy

Yes [Y]

In what form does the CSD maintain records identifying the assets of each participant? Computer tape

Yes [Y]

In what form does the CSD maintain records identifying the assets of each participant? Other

In which format is the source data maintained?

Microsoft SQL server and Oracle

How does the CSD ensure that it has robust accounting practices? Do audits review whether there are sufficient securities to satisfy customer rights? How frequently are end-to-end audits conducted to examine the procedures and internal controls used in the safekeeping of securities?

Testing of internal controls is carried out continuously with periodic control by MSEC.

What are the CSD's internal procedures to authorise the creation and deletion of securities? What are the CSD's internal controls to prevent the unauthorised creation and deletion of securities?

Rules and Procedures of the CDA describe the procedures of creation and deletion of securities. Securities are written and erased almost exclusively by implementing various corporate actions. Internal controls that prevent unauthorized creation and deletion of securities are incorporated in the system.

Does the CSD conduct periodic and at least daily reconciliation of the totals of securities issues in the CSD for each issuer (or its issuing agent)? How does the CSD ensure that the total number of securities recorded in the CSD for a particular issue is equal to the amount of securities of that issue held on the CSD's books?

Each transfer in the system is carried out in accordance with prescribed procedures and programmed mechanisms which do not allow unauthorized creation or deletion of securities. Securities exempted from one account, according to established rules, must be transferred to a different account (or accounts) in its total amount, ie. securities may not be created or deleted. Daily, during the overnight processing, the system checks data integrity and checks the total number of issued securities after each issue with the sum of securities of that issue in all accounts in the depository.

If the CSD is not the official registrar of the issues held on its books, how does the CSD reconcile its records with official registrar?

CDA is the official register of issues which are registered in the accounts in its system.

If the securities held with the CSD are recorded by book-entry at the registrar, what are the control features at the registrar for transfer of registrar positions to and from the CSD (e.g., authentication procedures, reconciliation, confirmation of position at registrar)? Please describe:

written confirmation of position at registrar by legal authorized person

How does the CSD prevent overdrafts and debit balances in securities accounts?

The system of the CDA uses program controls to prevent the creation of negative amounts in the securities accounts.

Are securities issued or maintained in a dematerialised form? What percentage of securities is dematerialised, and what percentage of the total volume of transactions applies to these securities?

In the CDA, the amount of dematerialized securities is 100%. Consequently, all transactions relate to dematerialized securities.

How are CSD eligible securities held by the CSD? In dematerialized form

Yes [Y]

How are CSD eligible securities held by the CSD? In certificated form

How are CSD eligible securities held by the CSD? Other

If securities are issued as a physical certificate, is it possible to immobilise them and allow their holding and transfer in a book-entry system? What percentage of securities is immobilised, and what percentage of the total volume of transactions applies to immobilised securities?

n/a, 0 %

If CSD eligible securities are certificated, can CSD eligible securities be held outside of the CSD?

Not applicable [A05]

If CSD eligible securities are certificated, can CSD eligible securities be held outside of the CSD?  
Other

If certain designated securities are held outside the CSD, please indicate under which conditions these securities would be held outside the CSD:

If CSD eligible securities are required to be centrally immobilized at the CSD, where and with whom are the certificates safekept? (then please answer 51c)

Are these certificates: Bearer

Are these certificates: Registered

Are these certificates: Other

n/a

If registered, how are the CSD eligible securities registered? In the name of the CSD

If registered, how are the CSD eligible securities registered? In the name of the depositing participant or its nominee

If registered, how are the CSD eligible securities registered? In the name of a separate nominee of the CSD

If registered, how are the CSD eligible securities registered? Other

If in the name of a separate nominee, please identify by name the nominee used:

If CSD eligible securities may be held either in or out of the CSD, are these certificates:

If CSD eligible securities may be held either in or out of the CSD, are these certificates: Other

What are the control features for receipt of certificates to the CSD (e.g., authentication procedures, re-registration)? Please describe:

If securities are dematerialized: May dematerialized security positions be re-certificated and held outside the CSD?

No [A02]

If securities are dematerialized: May dematerialized security positions be re-certificated and held outside the CSD? Other

Are the securities held: Through book-entry at the CSD

Yes [Y]

Are the securities held: Through book-entry at a registrar or issuer

Are the securities held: Other

Please identify which types of entities may act as registrars: Issuers

Please identify which types of entities may act as registrars: Separate companies that perform registrar functions

Please identify which types of entities may act as registrars: CSD

Please identify which types of entities may act as registrars: Other

If the securities held by the CSD are recorded by book entry at the registrar, are the securities registered only to the CSD, with the CSD providing the function of recording ownership on a centralized basis for the market?

Yes [A01]

If the securities held by the CSD are recorded by book entry at the registrar, are the securities registered only to the CSD, with the CSD providing the function of recording ownership on a centralized basis for the market? Other

If yes, how are securities held at the registrar for the account of the CSD?

In the name of the CSD [A01]

If yes, how are securities held at the registrar for the account of the CSD? Other

Please describe:

If the securities held with the CSD are recorded by book-entry at the registrar but are not registered exclusively to the CSD, may they be registered to:

If the securities held with the CSD are recorded by book-entry at the registrar but are not registered exclusively to the CSD, may they be registered to: Other

Please describe:

What incentives, if any, does the CSD provide to immobilise or dematerialise securities?

prescribed by the Law on securities

How do the CSD's rules and procedures protect assets against custody risk, including the risk of loss because of the CSD's negligence, misuse of assets, fraud, poor administration, inadequate recordkeeping or failure to protect participants' interests in their securities?

Rules and Procedures of the CDA and the system design incorporate numerous controls to ensure that data is stored in the prescribed manner, the ownership of securities clearly demarcated and determined. The principle of double data entry, the principle of "four eyes", controlling entry and daily conducted data integrity checks contribute to the security and accuracy of all business processes of the CDA. Periodic implementation of internal controls leads to an even greater degree of security.

Does the CSD accept liability (independent of any insurance coverage) for the following:  
Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants?

No [A01]

Does the CSD accept liability (independent of any insurance coverage) for the following:  
Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants? Other

If yes, please check all of the following that apply: Financial limits are imposed on the amount of liability assumed by the CSD

If yes, please check all of the following that apply: The CSD assumes liability for direct losses

If yes, please check all of the following that apply: The CSD assumes liability for indirect or consequential losses

If yes, please check all of the following that apply: Other

Theft of securities (either physical certificate or electronically from accounts at the CSD) from the CSD that results in direct damages or losses to participants?

No [A01]

Theft of securities (either physical certificate or electronically from accounts at the CSD) from the CSD that results in direct damages or losses to participants? Other

If yes, please check all of the following that apply: Financial limits are imposed on the amount of liability assumed by the CSD

If yes, please check all of the following that apply: The CSD assumes liability for direct losses

If yes, please check all of the following that apply: The CSD assumes liability for indirect or consequential losses

If yes, please check all of the following that apply: Other

Failure of the CSD's systems that result in direct damages or losses to participants because they cannot use either securities or funds?

Yes [A02]

Failure of the CSD's systems that result in direct damages or losses to participants because they cannot use either securities or funds? Other

If yes, please check all of the following that apply: Financial limits are imposed on the amount of liability assumed by the CSD

If yes, please check all of the following that apply: The CSD assumes liability for direct losses

Yes [Y]

If yes, please check all of the following that apply: The CSD assumes liability for indirect or consequential losses

If yes, please check all of the following that apply: Other

Any direct damages or losses to participants caused by the CSD due to its errors, omissions or fraud? Yes

Yes [Y]

Any direct damages or losses to participants caused by the CSD due to its errors, omissions or fraud? No

Any direct damages or losses to participants caused by the CSD due to its errors, omissions or fraud? Not applicable

Any direct damages or losses to participants caused by the CSD due to its errors, omissions or fraud? Other

If yes, please check all of the following that apply: Financial limits are imposed on the amount of liability assumed by the CSD

If yes, please check all of the following that apply: The CSD assumes liability for direct losses

Yes [Y]

If yes, please check all of the following that apply: The CSD assumes liability for indirect or consequential losses

If yes, please check all of the following that apply: Other

How has the CSD determined that those rules and procedures are consistent with the legal framework?

by regulator (MSEC) approval

Is the CSD immune from legal action in its own jurisdiction?

No [A02]

Is the CSD immune from legal action in its own jurisdiction? Other

What other methods, if any, does the CSD employ to protect its participants against misappropriation, destruction and theft of securities (for example, insurance or other compensation schemes)?

n/a

Does the CSD have Fidelity insurance (that is, insurance to cover loss of securities or money resulting, for example, from acts such as forgery, theft, fraud and/or employee dishonesty)?

Not applicable [A03]

Does the CSD have Fidelity insurance (that is, insurance to cover loss of securities or money resulting, for example, from acts such as forgery, theft, fraud and/or employee dishonesty)? Other

What is the amount of the coverage?

What is the amount of the deductible?

n/a

Does the CSD have insurance for Operational Errors?

No [A02]

Does the CSD have insurance for Operational Errors? Other

What is the amount of the coverage?

What is the amount of the deductible?

n/a

Does the CSD have Errors and Omissions insurance?

No [A02]

Does the CSD have Errors and Omissions insurance? Other

What is the amount of the coverage?

What is the amount of the deductible?

n/a

Does the CSD have insurance for the Premises?

Other [-oth-]

Does the CSD have insurance for the Premises? Other

CDA does not have its own premises (operating in rented space)

What is the amount of the coverage?

What is the amount of the deductible?

n/a

Does the CSD have any other insurance?

Other [-oth-]

Does the CSD have any other insurance? Other

compulsory insurance of employees

If so, what is it for?

What is the amount of the coverage?

prescribed by relevant national law

What is the amount of the deductible?

Who is the insurance carrier? If more than one insurance carrier, please list each carrier here and provide your responses to questions 97a and 97b in corresponding order.

Sava Montenegro Podgorica

Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)

Member of Sava Re Group Slovenia

What is the term of the policy?

Per 1 year, renewed annually.

Who does the insurance cover? CSD

Yes [Y]

Who does the insurance cover? Direct CSD participants

Who does the insurance cover? Final investors

Who does the insurance cover? Not applicable

Who does the insurance cover? Other

If you feel that you would like to provide additional details on any of the given answers, feel free to provide any additional comments here (maximum of 5,000 characters) or prepare an additional document identifying the question(s) you are commenting on and upload the document under 98a:

Upload document here:

filecount - Upload document here:

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Do the CSD's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the CSD in the form of indemnification? Yes

Yes [Y]

Do the CSD's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the CSD in the form of indemnification? No

Do the CSD's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the CSD in the form of indemnification? Not applicable

Do the CSD's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the CSD in the form of indemnification? Other

Standard membership contract, CDA rules

Please explain (then please answer 67c):

Standard membership contract determined by CDA rules

Please provide details of the relevant sections of the contracts, rules or practices where this information is found

section 4 of standard membership contract where are regulated Depository obligations; CDA rules - Default procedures

Insurance Yes

Insurance No

Yes [Y]

Insurance Not applicable

Insurance Other

Please explain (then please answer 67f):

Please provide details of the relevant sections of the contracts, rules or practices where this information is found

Acknowledgement of liability for losses caused by CSD's own actions.

Yes [A01]

Acknowledgement of liability for losses caused by CSD's own actions. Other

Please explain (then please answer 67i):

CDA is responsible for any loss to the extent to which the loss caused by irresponsibility, fraud or criminal offense of its employees.

Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

CDA Rules ([www.cda.me](http://www.cda.me))

Other

No [N]

Please explain (then please answer 67l):

Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

n/a

What segregation arrangements are in place at the CSD? How does the CSD ensure segregation between its own assets and the securities of its participants? How does the CSD ensure segregation among the securities of participants?

The account structure at the CDA allows, and Rules and Procedures of the CDA require the separation of all securities accounts towards account holders or owners of the securities except in the case of omnibus accounts.

Are participants permitted to maintain more than one account at the CSD?

Yes [A01]

Are participants permitted to maintain more than one account at the CSD? Other

If yes, please indicate number: An unlimited number of accounts

Yes [Y]

If yes, please indicate number: More than one account

If yes, please indicate number: Other

If more than one account what is the maximum?

Where supported by the legal framework, how does the CSD support the operational segregation of securities belonging to participants' customers from the participants' book? How does the CSD facilitate the transfer from these customers' accounts to another participant?

CDA has worked out a registration system for investors' ownership positions with a specific member for the purpose of managing securities. If required registration is canceled ("from street" transfer) to one member and ownership position is joined (registered) with another member ("to street" transfer).

Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients? Yes

Yes [Y]

Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients? No

Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients? Not applicable

Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients? Other

If yes, is segregation required or simply permitted?

Required [A01]

If yes, is segregation required or simply permitted? Other

How does segregation occur? By separately designated participant accounts.

Yes [Y]

How does segregation occur? By sub-accounts within a single participant account.

How does segregation occur? By separately designated beneficial owner accounts.

Yes [Y]

How does segregation occur? Other

Does the CSD permit its participants to open accounts in the participant's own nominee name(s)?

Yes [A01]

Does the CSD permit its participants to open accounts in the participant's own nominee name(s)?  
Other

If yes, do laws exist, which define as well as protect the rights of beneficial owners with respect to securities registered in nominee name?

Yes [Y]

Does the CSD maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants? Yes

Yes [Y]

Does the CSD maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants? No

Does the CSD maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants? Not applicable

Does the CSD maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants? Other

Does the CSD provide services other than central safekeeping and administration of securities and settlement? If so, what services?

yes, defined by Law on securities

Please indicate services you provide. Own list or: AGC: Information in advance on corporate (annual or special) meetings in order that owners can vote.

Please indicate services you provide. Tax assistance where foreign holders may be entitled to tax relief at source or through a claim.

Please indicate services you provide. In order to avoid fails, an automatic securities lending facility - if requested - is provided for.

Please indicate services you provide. Collateral handling in support of activities including securities lending, overdraft coverage, cash management, repurchase agreements, etc.

Please indicate services you provide. Same day turnaround settlements.

Yes [Y]

Please indicate services you provide. Information on distribution of new issues (IPO, Privatization).

Yes [Y]

Please indicate services you provide. Not applicable

Please indicate services you provide. Other

defined by law on securities

Automatic securities lending facility is provided for: Brokers

Automatic securities lending facility is provided for: Banks

Automatic securities lending facility is provided for: Other financial institutions

Automatic securities lending facility is provided for: Other

If collateral handling, please provide details

Other, please explain:

The activities of CDA are defined by Montenegro Law on Securities (article 89) as follows: (1) registration and safekeeping of dematerialized securities (including determination of ISIN codes and registration of security issuers, issues and their holders), (2) clearing and settlement of stock exchange transactions, and (3) other activities in connection with dematerialized securities (preparing and issuing the adequate reports for issuers, shareholders and other interested subjects, processing the corporate actions, take over bids, etc).

What procedures are in place for the processing of corporate action entitlements? Credited to the securities account on the day indicated below regardless of whether actually collected by the CSD on the scheduled date.

What procedures are in place for the processing of corporate action entitlements? Credited to the securities account upon actual receipt by the CSD.

Yes [Y]

What procedures are in place for the processing of corporate action entitlements? Corporate action entitlements are handled by an entity separate from the CSD.

What procedures are in place for the processing of corporate action entitlements? Not applicable

What procedures are in place for the processing of corporate action entitlements? Other

Credited to the securities account: On pay date.

Credited to the securities account: On pay date +1.

Credited to the securities account: On pay date +2.

Credited to the securities account: Other

Name of entity:

What procedures are in place for the processing of interest and dividends? Credited to the cash account on the day indicated below regardless of whether actually collected by the CSD on the scheduled date.

What procedures are in place for the processing of interest and dividends? Credited to the cash account upon actual receipt by the CSD.

What procedures are in place for the processing of interest and dividends? Income and dividend collection is handled by an entity separate from the CSD.

What procedures are in place for the processing of interest and dividends? Not applicable

What procedures are in place for the processing of interest and dividends? Other

Cash payments are processed by the issuers or their agents (commercial banks).

Credited to the cash account: On pay date.

Credited to the cash account: On pay date +1.

Credited to the cash account: On pay date +2.

Credited to the cash account: Other

Name of entity:

If the CSD provides services other than central safekeeping and administration of securities and settlement, how does it identify the risks associated with those activities, including potential credit and liquidity risks? How does it measure, monitor and manage these risks, including legally separating services other than safekeeping and administration of securities where necessary?

these are activities that do not carry the risk

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

0

## Exchange-of-value settlement systems (PFMI Principle 12)

Summary narrative for PFMI Principle 12. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

How do the CSD's legal, contractual, technical and risk management frameworks ensure that the final settlement of relevant financial instruments eliminates principal risk? What procedures ensure that the final settlement of one obligation occurs if and only if the final settlement of a linked obligation also occurs?

CDA Rules and Procedures, main principles for clearing and settlement:

- DVP (delivery vs payment) principle: transfer of securities from the seller to the buyer account (delivery) occurring almost at the same time (with couple minutes time lag) as payment - final transfer of funds from the CDA cash pool account (opened with CBM – central bank money) to the seller's Participant commercial banking account;
- Settlement on the second business day after the transaction conclusion on the Stock Exchange (T+2), with the possibility of: (1) shortened settlement cycle (T+0, T+1) after the approval of both parties, and (2) extended settlement cycle (T+3) in case the payment is made by delivery of other securities;
- Settlement according BIS Model 2 (Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers) if the stock exchange transaction meets the following conditions:  
(1) the Settlement day is T+2 and the method of payment is money (not payable with other securities),  
(2) there are enough available securities on the seller account, and  
(3) the transaction value is less than the daily limit value per transaction (calculated by the sum of net cash debts of all Participants not exceed 50% of the current value of Guarantee fund). The transactions in which the same settling participant represents the both (buying and selling) sides are settled by model 2 regardless of the transaction value amount, if they meet the previous two conditions

If the stock-exchange transaction not meets all listed conditions, it will be settle through BIS Model 1 (Gross, Simultaneous Settlements of Securities and Funds Transfers).

- the existence of the Guarantee Fund as security for successfulness of settlement of all transactions classified for settlement by BIS model 2

Market transactions are transactions with securities carried out on the stock exchange on which the stock market electronically reports to the CDA.

Market transactions can be primary sales transactions (IPO) and secondary trading of securities. CDA divide market transactions on accepted and unaccepted.

CDA in the process of clearing and settlement include only the accepted transaction, under which implies technically correct secondary stock exchange transactions with eligible securities.

Technical faulty secondary stock exchange transactions CDA treated as unaccepted transactions and does not include them in the process of clearing and settlement.

IPO transactions CDA treats separately in accordance with current legislation and in accordance with the Guidelines.

CDA treats as unaccepted transactions the Secondary stock market transactions in which on the ownership Seller account, on position which is reserved for Participant, is register a insufficient amount of securities traded, and does not include them in the process of clearing and settlement.

Clearing and settlement are carried out only in relation to fully paid ownership position in securities accounts.

Does the CSD guaranty settlement?

Other [-oth-]

Does the CSD guaranty settlement? Other

only transactions classified for settlement by BIS model 2, up to the amount of the Guarantee fund

Please explain how this is accomplished. What are the procedures and safeguards that permit the CSD to guaranty settlement?

How are the linked obligations settled - on a gross basis (trade by trade) or on a net basis?

there are two models in effect:

1. BIS Model 2 (Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers) if the stock exchange transaction meets the following conditions:
  - (1) the Settlement day is T+2 and the method of payment is money (not payable with other securities),
  - (2) there are enough available securities on the seller account, and
  - (3) the transaction value is less than the daily limit value per transaction (calculated by the sum of net cash debts of all Participants not exceed 50% of the current value of Guarantee fund). The transactions in which the same settling participant represents the both (buying and selling) sides are settled by model 2 regardless of the transaction value amount, if they meet the previous two conditions
2. If the stock-exchange transaction not meets all listed conditions, it will be settle through BIS Model 1 ( trade by trade - Gross, Simultaneous Settlements of Securities and Funds Transfers)

The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble. Model1

Yes [Y]

The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble. Model2

Yes [Y]

The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble. Model3

The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble. Not applicable

The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble. Other

Please briefly describe your settlement process, including how do your settlement procedures vary from the model chosen above?

CDA would settle a transaction according Model 2 if meets the following conditions: (1) the method of payment is money (not payable with other securities); (2) there are enough available securities on the seller account, and (3) the transaction value is less than the daily limit value per transaction (calculated by the sum of net cash debts of all Participants not exceed 50% of the current value of Guarantee fund).

If the transaction not meets all listed conditions, it will be settle through Model 1.

Is the finality of settlement of linked obligations simultaneous?

No [N]

If not, what is the timing of finality for both obligations? Is the length of time between the blocking and final settlement of both obligations minimised?

Settlement of connected obligations is not simultaneous, but the time period between settling the two obligations is reduced to a minimum. Blocked funds awaiting settlement are protected from any third party claims.

Are the cash and security movements simultaneous?

No [A02]

Are the cash and security movements simultaneous? Other

If cash and security movements are not simultaneous, please indicate the duration of the timing gap

Other [-oth-]

If cash and security movements are not simultaneous, please indicate the duration of the timing gap Other

a few minutes late as it takes to control and finally send the automatically generated cash orders

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Participant default rules and procedures (PFMI Principle 13)

Summary narrative for PFMI Principle 13. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

Do the CSD's rules and procedures clearly define an event of default (both a financial and an operational default of a participant) and the method for identifying a default? How are these events defined?

CDA Rules and Procedures recognizes two groups of default events, as follow:

1. "Unaccepted" transactions are classified as:

- (i)  IPO transactions (primary sale of securities) – not include in C&S,
  - (ii)  technically faulty secondary stock exchange transactions - conditionally include in C&S if stock market submit to CDA a written correction on T + 1,
  - (iii)  secondary stock exchange transactions in which there are not enough registered securities in the proprietary account of the seller, on a position which is reserved for the executing participant - not include in C&S, REJECTED and cause a suspension of the Participant who caused the failure with contractual penalty obligation in favor of the Guarantee Fund.
2. failed settlement, in case the transaction is "accepted" but Participant has not fulfilled its obligations to the clearing on time

How do the CSD's rules and procedures address the following key aspects of a participant default: a) the actions that the CSD can take when a default is declared, b) the extent to which the actions are automatic or discretionary, c) changes to normal settlement practices, d) the management of transactions at different stages of processing, e) the expected treatment of proprietary and customer transactions and accounts, f) the probable sequencing of actions, g) the roles, obligations and responsibilities of the various parties, including non-defaulting participants, and h) the existence of other mechanisms that may be activated to contain the impact of a default?

(1) if failed transaction is classified for settlement by BIS model 2, CDA activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CDA used from the Guarantee Fund plus the amount of the compensation provided for by the contract. Participant is obliged to make a payment no later than the next business day using the funds of the Guarantee Fund, and this amount will be allocate by first settled funds of other participants that were used from the Guarantee Fund. The remaining amount of the compensation shall be paid into the Guarantee Fund and for that amount equally increases the basic contributions of all Participants. If a participant fails to make payment to the Guarantee Fund will have been suspended and the CDA will launch legally prescribed actions for the settlement of these claims in court.

(2) in the case of "rejected" transaction on T+0 or "failed" transaction classified for settlement by BIS model 1, CDA imposing the suspension of the Participant who caused this failure and the suspension lasts until the payment contractual penalty in favor of the Guarantee Fund, while failed transaction is subject of cancelation or waiting for the fulfillment of obligations (depending on the expressed will of the "correct" side).

The other mechanism is civil action in court.

During the past three years, has there been a situation where a participant defaulted which resulted in a significant loss?

No [A02]

During the past three years, has there been a situation where a participant defaulted which resulted in a significant loss? Other

How was the situation resolved? Or if you answered "Other," then please explain:

Does the stock exchange have default protections that extend to the CSD, such as the following?  
Margin requirements for stock exchange members

Does the stock exchange have default protections that extend to the CSD, such as the following?  
Guaranty fund for stock exchange members

Does the stock exchange have default protections that extend to the CSD, such as the following?  
Financial requirements for stock exchange membership

Does the stock exchange have default protections that extend to the CSD, such as the following?  
No

Does the stock exchange have default protections that extend to the CSD, such as the following?  
Not applicable

Yes [Y]

Does the stock exchange have default protections that extend to the CSD, such as the following?  
Other

Please explain:

n/a

How do the CSD's rules and procedures allow the CSD to promptly use any financial resources that it maintains for covering losses and containing liquidity pressures arising from default, including liquidity facilities?

Guarantee Fund assets are located on the CDA cash pool account (opened with Central Bank Montenegro, as sub account of CDA account used for the settlement) and is automatically activated on T+2 at 12:00 hours, for the calculated amount missing to complete the settlement by BIS model 2.

The Guarantee fund is to be filled by regular payments-contributions of Participants (basic - annual and additional - monthly), as well as the payment of compensation fees for the use (activation) of the Guarantee Fund (required by the contract of membership - so-called penalties).

How do the CSD's rules and procedures address the order in which the financial resources can be used?

Activation of GF is adhered to the principle of first using the funds of Participant caused the default, and after that withdrawal is done proportionally to funds of other Participants (first used monthly additional payments, after which the basic contributions in GF).

Fund recovery are done by allocation the paid compensation in the opposite direction.

Participant Default Protections Resulting from a Participant Failure. If a participant defaults, how is the loss covered? (Choose all that apply?) CSD insurance covers the loss

Participant Default Protections Resulting from a Participant Failure. If a participant defaults, how is the loss covered? (Choose all that apply?) The CSD guaranty fund covers the loss

Yes [Y]

Participant Default Protections Resulting from a Participant Failure. If a participant defaults, how is the loss covered? (Choose all that apply?) Loss is shared among participants

Participant Default Protections Resulting from a Participant Failure. If a participant defaults, how is the loss covered? (Choose all that apply?) Not applicable

Participant Default Protections Resulting from a Participant Failure. If a participant defaults, how is the loss covered? (Choose all that apply?) Other

Please explain the process:

Please explain the process of how the loss is shared:

Please explain the process of how the loss is shared: Other

Please explain:

Guarantee Fund assets are located on the CDA cash pool account (opened with Central Bank Montenegro, as sub account of CDA account used for the settlement) and is automatically activated on T+2 at 12:00 hours, for the calculated amount missing to complete the settlement by BIS model 2.

Activation of GF is adhered to the principle of first using the funds of Participant caused the default, and after that withdrawal is done proportionally to funds of other Participants (first used monthly additional payments, after which the basic contributions in GF).

How do the CSD's rules and procedures address the replenishment of resources following a default?

The Guarantee fund is to be filled by regular payments-contributions of Participants (basic - annual and additional - monthly), as well as the payment of compensation fees for the use (activation) of the Guarantee Fund (required by the contract of membership - so-called penalties).

Fund recovery are done by allocation the paid compensation(s) in the opposite direction to the activation.

Does the CSD's management have internal plans that clearly delineate the roles and responsibilities for addressing a default? What are these plans?

No.

What type of communication procedures does the CSD have in order to reach in a timely manner all relevant stakeholders, including regulators, supervisors and overseers?

through system messages, written correspondence and through the website

How frequently are the internal plans to address a default reviewed? What is the governance arrangement around these plans?

n/a

How are the key aspects of the CSD's participant default rules and procedures made publicly available? How do they address: a) the circumstances in which action may be taken, b) who may take those actions, c) the scope of the actions which may be taken, including the treatment of both proprietary and customer positions, funds and assets, d) the mechanisms to address an CSD's obligations to non-defaulting participants, and e) where direct relationships exist with participants' customers, the mechanisms to help address the defaulting participant's obligations to its customers?

CDA rules (with detailed Default Procedures) are publicly available on [www.cda.me](http://www.cda.me), as well as all until now imposed sentences to Participants.

How does the CSD engage with its participants and other relevant stakeholders in the testing and review of its participant default procedures? How frequently does it conduct such tests and reviews? How are these tests results used? To what extent are the results shared with the board, risk committee and relevant authorities?

n/a

What range of potential participant default scenarios and procedures do these tests cover? To what extent does the CSD test the implementation of the resolution regime for its participants?

n/a

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## General business risk (PFMI Principle 15)

Summary narrative for PFMI Principle 15. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

Is a financial audit performed by an Audit Firm, Regulatory Authority, or other external party?

Yes [Y]

If yes, please state the name(s) of the entity(ies) who perform the financial audit.

KPMG doo Podgorica

Please list the date of your last financial audit performed by an Audit Firm, Regulatory Authority, or other external party:

23/03/2017

Please list the period that the audit covered: Start date

01/01/2016

Please list the period that the audit covered: End date

31/12/2016

How frequently does the financial audit occur?

Annually [A02]

If less than annually, please explain:

Please select the statement that most accurately characterizes the results of the last financial audit:

No material exceptions found. [A01]

If minor or material exceptions were found, what actions were taken? Please describe:

Has there been any material loss by the CSD during the past three years?

No [A02]

Has there been any material loss by the CSD during the past three years? Other

If there has been a loss, please describe the cause, the final impact and the action taken to prevent a recurrence:

Has the CSD been subject to any litigation involving a participant during the past three years?

No [A02]

Has the CSD been subject to any litigation involving a participant during the past three years?  
Other

Please explain the circumstances and resolution:

Has the CSD realized revenues sufficient to cover expenses during the past three years?

Yes for two of the last three years [A02]

Has the CSD realized revenues sufficient to cover expenses during the past three years? Other

Has any participant suffered any losses in the past three years due to the CSD's performance?

No [A02]

Has any participant suffered any losses in the past three years due to the CSD's performance?  
Other

If yes, please select all of the following in which loss has occurred. You will be prompted to enter the number of instances and total loss in USD thereafter. Corporate Action

If yes, please select all of the following in which loss has occurred. You will be prompted to enter the number of instances and total loss in USD thereafter. Settlement Process - Securities

If yes, please select all of the following in which loss has occurred. You will be prompted to enter the number of instances and total loss in USD thereafter. Settlement Process - Cash

If yes, please select all of the following in which loss has occurred. You will be prompted to enter the number of instances and total loss in USD thereafter. System Outage

--

If yes, please select all of the following in which loss has occurred. You will be prompted to enter the number of instances and total loss in USD thereafter. Other

--

Corporate Action. Please specify number of instances:

--

Corporate Action. Please specify total loss in USD:

-
---

Settlement Process - Securities. Please specify number of instances:

--

Settlement Process - Securities. Please specify total loss in USD:

-
---

Settlement Process - Cash. Please specify number of instances:

--

Settlement Process - Cash. Please specify total loss in USD:

-
---

System Outage. Please specify number of instances:

--

System Outage. Please specify total loss in USD:

-

For Other, please specify number of instances:

-

For Other, please specify total loss in USD:

-

How does the CSD identify its general business risks? What general business risks has the CSD identified?

CDA monitors exposure to general business risk through several major risk factors:

- Changes in the business environment;
- Failure to fulfill the business strategy.

Changes in the business environment include the general economic climate, the state of capital markets, financial markets and the like.

Failure to meet the business strategy of the CDA can be caused by external and internal factors and is realized through the reduction of income and / or increase the cost of doing business.

How does the CSD monitor and manage its general business risks on an ongoing basis? Does the CSD's business risk assessment consider the potential effects on its cash flow and (in the case of a privately operated CSD? capital?

The Board of directors regularly monitors financial operations and all business parameters and, if necessary, takes appropriate measures in order to mitigate the negative trends in case they appear.

Does the CSD hold liquid net assets funded by equity so that it can continue operations and services as a going concern if it incurs general business losses?

n/a

Does the CSD maintain a reserve for operating losses?

No [A02]

Does the CSD maintain a reserve for operating losses? Other

How does the CSD calculate the amount of liquid net assets funded by equity to cover its general business risks?

n/a

How does the CSD determine the length of time and associated operating costs of achieving a recovery or orderly wind-down of critical operations and services?

n/a

Please describe and indicate reserve (for operating losses) amount:

Has the CSD developed a plan to achieve a recovery or orderly wind-down, as appropriate?

No [N]

If yes, what does this plan take into consideration (for example, the operational, technological and legal requirements for participants to establish and move to an alternative arrangement)?

n/a

What amount of liquid net assets funded by equity is the CSD holding for purposes of implementing this plan? How does the CSD determine whether this amount is sufficient for such implementation? Is this amount at a minimum equal to six months of the CSD's current operating expenses?

n/a

How are the resources designated to cover business risks and losses separated from resources designated to cover participant defaults or other risks covered under the financial resources principles?

CDA does not use its own resources to cover losses due to members' failure to meet obligations.

Does the CSD include equity held under international risk-based capital standards to cover general business risks?

CDA does not cover general business risks according to international standards for risk.

What is the composition of the CSD's liquid net assets funded by equity? How will the CSD convert these assets as needed into cash at little or no loss of value in adverse market conditions?

Based on its own investment policy, CDA keeps all its assets in cash and liquid assets with the possibility of rapid conversion into cash. Investments are made in savings bank deposits.

How does the CSD regularly assess the quality and liquidity of its liquid net assets funded by equity to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions?

see answer 477

Has the CSD developed a plan to raise additional equity? What are the main features of the CSD's plan to raise additional equity should its equity fall close to or fall below the amount needed?

CDA has no formally approved plan to increase capital, it depends on the national legislation (expected new Capital market Law).

How frequently is the plan to raise additional equity reviewed and updated?

depends on the legislation

What is the role of the CSD's board (or equivalent) in reviewing and approving the CSD's plan to raise additional equity if needed?

n/a

Add relevant appendices for this group.

CDA Report 2016 \_ montenegrin.pdf (3065KB) Independent Auditors' Report 2016 Translation CDA 2015 .pdf (1721KB) Independent Auditors' Report 2015 CDA annual report 2014.pdf (634KB) Independent Auditors' Report 2014

filecount - Add relevant appendices for this group.

3

## Custody risk (PFMI Principle 16)

Summary narrative for PFMI Principle 16. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

If the CSD uses custodians, how does the CSD select its custodians? What are the specific selection criteria the CSD uses, including supervision and regulation of these entities? How does the CSD monitor the custodians' adherence to these criteria?

CDA investments (up to 31/12/2016) are made in savings deposits with local commercial banks, so CDA don't uses custodians.

Are there any activities performed by a third party on behalf of the CSD for the CSD participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)? Yes

Are there any activities performed by a third party on behalf of the CSD for the CSD participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)? No

Yes [Y]

Are there any activities performed by a third party on behalf of the CSD for the CSD participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)? Not applicable

Are there any activities performed by a third party on behalf of the CSD for the CSD participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)? Other

If third parties are employed, please indicate which services they supply:

--

If third parties are employed, does the CSD assume liability for losses incurred by participants as a result of the actions/inactions of the third parties?

--

If you acknowledge responsibility, please indicate whether your responsibility is assumed regardless of whether such loss was caused by any action or inaction of the agent

--

If you acknowledge responsibility, please indicate whether your responsibility is assumed if such loss was caused by the agent's action or inaction and such action or inaction was deemed to be negligence on the part of the agent

--

If you acknowledge responsibility, please indicate whether your responsibility is assumed if such loss was caused by the agent's action or inaction and such action or inaction was deemed to be gross negligence on the part of the agent

--

If you acknowledge responsibility, please indicate whether your responsibility is assumed if the loss was caused by the willful default or other willful conduct on the part of the agent

--

If you acknowledge responsibility, please indicate whether your responsibility is assumed Other

--

If you acknowledge responsibility for agents, your responsibility is assumed for losses without limit

--

If you acknowledge responsibility for agents, your responsibility is assumed for losses which are not consequential losses

If you acknowledge responsibility for agents, your responsibility is assumed for losses subject to a monetary limit not based on insurance limits

If you acknowledge responsibility for agents, your responsibility is assumed for losses subject to a monetary limit based on insurance limits

If you acknowledge responsibility for agents, your responsibility is assumed for losses Other

n/a

Please specify limit:

Please specify limit:

How does the CSD verify that these entities have robust accounting practices, safekeeping procedures, and internal controls that fully protect its and its participants' assets?

n/a

How has the CSD established that it has a sound legal basis to support enforcement of its interest or ownership rights in assets held in custody?

n/a

How does the CSD ensure that it has prompt access to its assets, including securities that are held with a custodian in another time zone or legal jurisdiction, in the event of participant default?

n/a

How does the CSD evaluate and understand its exposures to its custodian banks? In managing those exposures, how does it take into account the full scope of its relationship with each custodian bank? For instance, does the CSD use multiple custodians for the safekeeping of its assets to diversify exposure to any single custodian? How does the CSD monitor concentration of risk exposures to its custodian banks?

n/a

Please describe briefly the arrangements / procedures / facilities you maintain to ensure that eligible securities held at the CSD are handled at least as efficiently as compared to securities held outside the CSD, particularly in relation to income, corporate actions and proxy services.

n/a

How does the CSD ensure that its investment strategy is consistent with its overall risk management strategy?

n/a

How and to whom does the CSD disclose its investment strategy?

to Regulator (MSEC), by asking the Approval

How does the CSD ensure on an ongoing basis that its investments are secured by, or are claims on, high-quality obligors?

till 31/12/2016 CDA invested only in savings deposits (which are legally guaranteed)

How does the CSD consider its overall exposure to an obligor in choosing investments? What investments are subject to limits to avoid concentration of credit risk exposures?

carried out by the diversification of the deposits in various commercial banks

Does the CSD invest participant assets in the participants' own securities or those of its affiliates?

n/a

How does the CSD ensure that its investments allow for quick liquidation with little, if any, adverse price effect?

through the withdrawal of bank savings deposits

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Operational risk (PFMI Principle 17)

Summary narrative for PFMI Principle 17. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

What are the CSD's policies and processes for identifying the plausible sources of operational risks? How do the CSD's processes identify plausible sources of operational risks, whether these risks arise from internal sources (for example, the arrangements of the system itself, including human resources), from the CSD's participants or from external sources?

Registration, monitoring, mitigation and risk elimination in the CDA is carried out based on legal provisions and CDA Risk management strategy. Monitoring and risk management is the task of the entire staff, and in particular the risk analyst. When registering a new risk, it is determined whether the source of risk is external or internal.

What sources of operational risks has the CSD identified? What single points of failure in its operations has the CSD identified?

Sources of operational risk in CDA are as follows:

- Legal,
- Technology,
- Organizational,
- Human,
- Developmental,
- Criminal actions,
- Force Majeure.

At every critical point in business operations, after analysis, the agreed measures for reducing or eliminating risk are applied.

How does the CSD monitor and manage the identified operational risks? Where are these systems, policies, procedures and controls documented?

in CDA Risk management strategy, internally available.

What policies, processes and controls does the CSD employ that are designed to ensure that operational procedures are implemented appropriately? To what extent do the CSD's systems, policies, processes and controls take into consideration relevant international, national and industry-level operational risk management standards?

Risk management policies:

- Rules on risk management,
- Risk register,
- Notifications of new risks,
- Notifications of risk events,
- Periodic reports,
- Various records, technical documentation and more..

Risk management consists of the following procedures:

- Identification of new risk,
- Description and classification of risk,
- Risk assessment (probability and impact)
- Assessment of existing controls,
- Measures for risk management ( activity plan, responsible persons, deadlines),
- Notification of the Board of directors and workers.

What are the CSD's human resources policies to hire, train and retain qualified personnel, and how do such policies mitigate the effects of high rates of personnel turnover or key-person risk? How do the CSD's human resources and risk management policies address fraud prevention?

CDA employment policy and training of its employees ensures a highly professional staff base.

How do the CSD's change management and project management policies and processes mitigate the risks that changes and major projects inadvertently affect the smooth functioning of the system?

The introduction of new software, new procedures and the introduction of technical systems upgrades is preceded by a period of preparation and testing changes, which greatly reduces possible risks of implementation.

How has the board of directors defined the key roles and responsibilities for operational risk management?

The staff is obliged to implement all measures that have been introduced to protect against operational risks. Workers are responsible in relation to the heads of departments and heads of departments to the Board within the framework of their tasks and roles in the system. Each risk event is reported without delay and further treated.

Does the CSD's board explicitly review and endorse the CSD's operational risk management framework? How frequently does the board review and endorse the CSD's operational risk management framework?

n/a

How does the CSD review, audit and test its systems, policies, procedures and controls, including its operational risk management arrangements with participants? How frequently does the CSD conduct these reviews, audits and tests with participants?

n/a

Internal Audit. Is an internal audit undertaken in your CSD?

No [N]

If yes, what areas does the audit cover (financials, operations, etc.) and which department in your CSD handles it?

Please list the date of your last internal audit and the period that the audit covered: Start date

Please list the date of your last internal audit and the period that the audit covered: End date

Please list the date of your last internal audit and the period that the audit covered: Audit date

How frequently does the internal audit occur?

If less than annually, please explain:

Are the results of the internal audit publicly available?

Please select the statement that most accurately characterizes the results of the last internal audit:

If minor or material exceptions were found, what actions were taken? Please describe:

To what extent, where relevant, is the CSD's operational risk management framework subject to external audit?

n/a

Is an operational audit performed by an Audit Firm, Regulatory Authority, or other external party?

No [N]

If yes, please state the name(s) of the entity(ies) who perform the operational audit.

Please list the date of your last operational audit performed by an Audit Firm, Regulatory Authority, or other external party:

Please list the period that the audit covered: Start date

Please list the period that the audit covered: End date

How frequently does the operational audit occur?

If less than annually, please explain:

Please select the statement that most accurately characterizes the results of the last operational audit:

If minor or material exceptions were found, what actions were taken? Please describe:

What are the CSD's operational reliability objectives, both qualitative and quantitative? Where and how are they documented?

n/a

How do these objectives ensure a high degree of operational reliability?

n/a

What are the policies in place that are designed to achieve the CSD's operational reliability objectives to ensure that the CSD takes appropriate action as needed?

n/a

How does the CSD review, audit and test the scalability and adequacy of its capacity to handle, at a minimum, projected stress volumes? How frequently does the CSD conduct these reviews, audits and tests?

n/a

How are situations where operational capacity is neared or exceeded addressed?

n/a

What are the CSD's policies and processes, including change management and project management policies and processes, for addressing the plausible sources of physical vulnerabilities and threats on an ongoing basis?

n/a

How is access to the physical building controlled? By guards

Yes [Y]

How is access to the physical building controlled? By electronic keys

How is access to the physical building controlled? personal ID card

How is access to the physical building controlled? By alarm system

How is access to the physical building controlled? Other

Please explain:

Physical security of Central bank Montenegro (building owner)

Do the CSD's policies, processes, controls and testing appropriately take into consideration relevant international, national and industry-level standards for physical security?

no

What are the CSD's policies and processes, including change management and project management policies and processes, for addressing the plausible sources of information security vulnerabilities and threats on an ongoing basis?

n/a

Regarding data security: Are passwords used by participants to access their accounts?

Yes [A01]

Regarding data security: Are passwords used by participants to access their accounts? Other

Does each user have a unique user ID?

Yes [A01]

Does each user have a unique user ID? Other

Are passwords regularly changed?

Other [-oth-]

Are passwords regularly changed? Other

each user could change the own password in any moment, as needed

How often?

Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?

Yes [A01]

Is there a user lock-out after a pre-set number of unsuccessful User ID attempts? Other

How many?

After 3 unsuccessful attempts

Do the CSD's policies, processes, controls and testing appropriately take into consideration relevant international, national and industry-level standards for information security?

CDA policies and procedures, controls and tests of the information system take into account all relevant standards.

How and to what extent does the CSD's business continuity plan reflect objectives, policies and procedures that allow for the rapid recovery and timely resumption of critical operations following a wide-scale or major disruption?

The goal is continuation or restart of business operations, protection of personnel and property, equipment, data, business documents and archival materials, reduction of financial losses and maintaining the reputation of the CDA.

How and to what extent is the CSD's business continuity plan designed to enable critical IT systems to resume operations within two hours following disruptive events, and to enable the CSD to facilitate or complete settlement by the end of the day even in extreme circumstances?

Disaster recovery plan for IT system (secondary base) allows CDA to facilitate or complete settlement by the end of the day even in extreme circumstances

How quickly can the main system be reactivated in the event of an outage?

Other [-oth-]

How quickly can the main system be reactivated in the event of an outage? Other

In case of power outage, CDA is connected to external power generator that is automatically being activated.

How is the contingency plan designed to ensure that the status of all transactions can be identified in a timely manner, at the time of the disruption, and if there is a possibility of data loss, what are the procedures to deal with such loss (for example, reconciliation with participants or third parties)?

All data from production to secondary systems is transmitted in real time, with 10 minutes time lag and without losses and there is no need for adjustment procedures and similar.

How do the CSD's crisis management procedures address the need for effective communications internally and with key external stakeholders and authorities?

CDA DR plan describes how to use the secondary system, as well as ensure sufficient resources, functionalities and personnel.

Will the CSD publicly announce any system interruption?

Yes [A01]

Will the CSD publicly announce any system interruption? Other

--

To whom will the CSD disclose any system interruptions? To the CSD regulators

Yes [Y]

To whom will the CSD disclose any system interruptions? To all direct participants

Yes [Y]

To whom will the CSD disclose any system interruptions? To direct and indirect participants

--

To whom will the CSD disclose any system interruptions? To the public via the internet

--

To whom will the CSD disclose any system interruptions? In the press

--

To whom will the CSD disclose any system interruptions? Other

--

If so, please list webpage address:

--

If so, please list all publications:

--

Please explain:

How will the CSD disclose any system interruptions? By e-mail

Yes [Y]

How will the CSD disclose any system interruptions? By telephone

Yes [Y]

How will the CSD disclose any system interruptions? Public announcement

How will the CSD disclose any system interruptions? Press release

How will the CSD disclose any system interruptions? Other

Please explain:

How does the CSD's business continuity plan incorporate the use of a secondary site (including ensuring that the secondary site has sufficient resources, capabilities, functionalities and appropriate staffing arrangements)? To what extent is the secondary site located a sufficient geographic distance from the primary site such that it has a distinct risk profile?

DR plan describes how to use the secondary system, as well as ensure sufficient resources, functionalities and personnel. The distance between the secondary site and the production site is about one kilometer.

If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing?

1 - 4 hours [A01]

If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing? Other

Has the CSD considered alternative arrangements (such as manual, paper-based procedures or other alternatives) to allow the processing of time-critical transactions in extreme circumstances?

An alternative way of doing business using the so-called manual procedures is always a possible option in extreme conditions, when automatic processing is impossible.

How are the CSD's business continuity and contingency arrangements reviewed and tested, including with respect to scenarios related to wide-scale and major disruptions? How frequently are these arrangements reviewed and tested?

n/a

How does the review and testing of the CSD's business continuity and contingency arrangements involve the CSD's participants, critical service providers and linked CSD? as relevant? How frequently are the CSD's participants, critical service providers and linked CSD? involved in the review and testing?

n/a

**BUSINESS RECOVERY PLAN.** This section is intended to identify key aspects of the CSD's Business Recovery Plan (BRP), including testing requirements and past results, expected recovery time periods, and the independent review and validation (if any) of the BRP. Do you have a formal business recovery plan?

Yes [Y]

Does your Business Recovery Plan include: Back-up of all computer files

Yes [Y]

Does your Business Recovery Plan include: Off-site data storage

Yes [Y]

Does your Business Recovery Plan include: Back-up files stored and locked

Yes [Y]

Does your Business Recovery Plan include: Off-site operations facility

Yes [Y]

Does your Business Recovery Plan include: Other

Please identify both the frequency and the last date of testing for the following third party: CSD participants/members

n/a

Please identify both the frequency and the last date of testing for the following third party: Stock exchange

n/a

Please identify both the frequency and the last date of testing for the following third party: Central bank

n/a

Please identify both the frequency and the last date of testing for the following third party: Local brokers

n/a

Please identify both the frequency and the last date of testing for the following third party: Any other third party

Montenegro Securities Commission, May 2015

In the past three years, has it been necessary to activate the recovery plan in a live situation?

No [A02]

In the past three years, has it been necessary to activate the recovery plan in a live situation?  
Other

If yes, how much time was needed to implement the recovery plan?

How much time was needed to recover and restore business to normal operations?

What was the impact to the market? All securities settlements took place as scheduled on the same day with good value

What was the impact to the market? All cash settlements took place as scheduled on the same day with good value

What was the impact to the market? All securities settlements took place one business day late with good value

What was the impact to the market? All cash settlements took place one business day late with good value

What was the impact to the market? All securities settlements took place one business day late with value one day late

What was the impact to the market? All cash settlements took place one business day late with value one day late

What was the impact to the market? All securities settlements took place more than one business day late

What was the impact to the market? All cash settlements took place more than one business day late

What was the impact to the market? As a result of the system failure, all fines and penalties for late settlements were waived

What was the impact to the market? Even though there was a system failure, all fines and penalties for late settlements were still assessed

What was the impact to the market? Other

no impact

What risks has the CSD identified to its operations arising from its key participants, other CSD, and service and utility providers? How and to what extent does the CSD monitor and manage these risks?

n/a

Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason? Yes

Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason? No

Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason? Not applicable

Yes [Y]

Please explain

If the CSD has outsourced services critical to its operations, how and to what extent does the CSD ensure that the operations of a critical service provider meet the same reliability and contingency requirements they would need to meet if they were provided internally?

n/a

How and to what extent does the CSD identify, monitor and mitigate the risks it may pose to another FMI?

CDA regularly notifies all relevant institutions about the changes in its system, new services and risks that accompany them.

To what extent does the CSD coordinate its business continuity arrangements with those of other interdependent CSD?

CDA regularly notifies all relevant institutions about the changes in its system, new services and risks that accompany them.

Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason?

Not applicable [A03]

Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason? Comment

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Access and participation requirements (PFMI Principle 18)

Summary narrative for PFMI Principle 18. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

What are the CSD's criteria and requirements for participation (such as operational, financial and legal requirements)?

Participants (brokerage, dealer, custodian and banks-depositories) are legal persons performing activities of financial intermediation or perform activities of holding securities for third parties and who have access to clearing and settlement. The rights and obligations of the CDA and Participants are determined by these Rules, Guidelines and membership contract. The status of Participant is acquired at his own request, in accordance with the license received from Securities Commission, these Rules and other regulations of the CDA.

General legally proscribed requirements:

- participant must be organized as Joint stock company
- capital adequacy requirement: for broker min 25.000€, dealer 125.000 €, for custodian and depository bank minimum capital is set to 5 millions € by Law on banks
- technical and technological equipment, and
- Personnel (adequate licensed)

Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements?

Yes [A01]

Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements? Other

How do these criteria and requirements allow for fair and open access to the CSD's services, including by direct and, where relevant, indirect participants and other CSD?, based on reasonable risk-related participation requirements?

Conditions for admission into membership of direct and indirect members are clear and transparent and do not set restrictive requirements on investment companies and credit institutions and other financial institutions interested in membership in the CDA. Terms of membership are non-discriminatory and applied in an objective way. Members must meet the operational requirements in terms of technical and functional access to the system of the CDA, the use of appropriate equipment and qualified and trained personnel.

A participant member, when admitting into CDA membership settle his financial obligations - payment of the calculated annual basic contribution to the Guarantee fund.

How are the participation requirements for the CSD justified in terms of the safety and efficiency of the CSD and its role in the markets it serves, and tailored to and commensurate with the CSD's specific risks?

All Participants (before and during the membership in CDA) are subject to legally proscribed supervision by the local regulator (MSEC) and by central bank (CBM, for custodians and depository banks).

Are there participation requirements that are not risk-based but required by law or regulation? If so, what are these requirements?

All members are required that under the provisions of the membership contract comply to the provisions of the CDA Rules and Procedures. CDA Rules and Procedures contain a number of provisions on handling securities, especially during clearing and settlement and during depository operations and corporate actions.

What governs the relationship between the CSD and the participants? Relevant law and regulation

Yes [Y]

What governs the relationship between the CSD and the participants? Standard participation contract

Yes [Y]

What governs the relationship between the CSD and the participants? Established terms and conditions of participation

What governs the relationship between the CSD and the participants? By-laws of the CSD

What governs the relationship between the CSD and the participants? Rules of the CSD

Yes [Y]

What governs the relationship between the CSD and the participants? Not applicable

What governs the relationship between the CSD and the participants? Other

Please explain:

All members are required that under the provisions of the membership contract comply to the provisions of the CDA Rules and Procedures. CDA Rules and Procedures contain a number of provisions on handling securities, especially during clearing and settlement and during depository operations and corporate actions.

Are all classes of participants subject to the same access criteria? If not, what is the rationale for the different criteria (for example, size or type of activity, additional requirements for participants that act on behalf of third parties, and additional requirements for participants that are non-regulated entities)?

Yes, each class of participants are subject to the same access criteria, depending of their license (role).

PARTICIPANTS AND PARTICIPATION. The purpose of this section is to understand issues relating to participation in the CSD, including eligibility requirements, conditions of participation, and supervision of participants. What types of entities are eligible to become participants and how many of each type are there currently? Banks

Yes [Y]

PARTICIPANTS AND PARTICIPATION. The purpose of this section is to understand issues relating to participation in the CSD, including eligibility requirements, conditions of participation, and supervision of participants. What types of entities are eligible to become participants and how many of each type are there currently? Brokers

Yes [Y]

PARTICIPANTS AND PARTICIPATION. The purpose of this section is to understand issues relating to participation in the CSD, including eligibility requirements, conditions of participation, and supervision of participants. What types of entities are eligible to become participants and how many of each type are there currently? Individuals

PARTICIPANTS AND PARTICIPATION. The purpose of this section is to understand issues relating to participation in the CSD, including eligibility requirements, conditions of participation, and supervision of participants. What types of entities are eligible to become participants and how many of each type are there currently? Foreign Institutions

PARTICIPANTS AND PARTICIPATION. The purpose of this section is to understand issues relating to participation in the CSD, including eligibility requirements, conditions of participation, and supervision of participants. What types of entities are eligible to become participants and how many of each type are there currently? Not applicable

PARTICIPANTS AND PARTICIPATION. The purpose of this section is to understand issues relating to participation in the CSD, including eligibility requirements, conditions of participation, and supervision of participants. What types of entities are eligible to become participants and how many of each type are there currently? Other

Foreign entities branches

How many Bank participants are there currently? (then please answer 17b)

7 (incl. 4 brokerage, 7 custody and 4 depository departments in the banks)

Please select the features included in the eligibility requirements for Banks. Financial Thresholds

Please select the features included in the eligibility requirements for Banks. Regulatory Oversight

Yes [Y]

Please select the features included in the eligibility requirements for Banks. Market Experience

Please select the features included in the eligibility requirements for Banks. Other

Payment to the Guarantee fund (CDA rules)

Please explain:

legally proscribed condition (Law on banks and Law on securities) and CDA rules

How many Broker participants are there currently? (then please answer 17f)

7 (excl. brokerage departments in the banks)

Please select the features included in the eligibility requirements for Brokers. Financial Thresholds

Please select the features included in the eligibility requirements for Brokers. Regulatory Oversight

Yes [Y]

Please select the features included in the eligibility requirements for Brokers. Market Experience

Please select the features included in the eligibility requirements for Brokers. Other

Payment to the Guarantee fund (CDA rules)

How many Individual participants are there currently? (then please answer 17j)

Please select the features included in the eligibility requirements for Individual participants. Financial Thresholds

Please select the features included in the eligibility requirements for Individual participants. Regulatory Oversight

Please select the features included in the eligibility requirements for Individual participants.  
Market Experience

--

Please select the features included in the eligibility requirements for Individual participants. Other

n/a

How many Foreign Institution participants are there currently?

--

Please select the features included in the eligibility requirements for Foreign Institution participants. Financial Thresholds

--

Please select the features included in the eligibility requirements for Foreign Institution participants. Regulatory Oversight

--

Please select the features included in the eligibility requirements for Foreign Institution participants. Market Experience

--

Please select the features included in the eligibility requirements for Foreign Institution participants. Other

n/a

If you have selected "Other entities" above, please explain:

according to Law on securities, beside Montenegrin legal entities, participant on capital market can be also a Foreign entity(ties) branch(es)

Indicate how many "Other entities" are currently participants?

none

Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". Financial Thresholds

Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". Regulatory Oversight

Yes [Y]

Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". Market Experience

Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". Other

Payment to the Guarantee fund (CDA rules)

How are the access restrictions and requirements reviewed to ensure that they have the least restrictive access that circumstances permit, consistent with maintaining acceptable risk controls? How frequently is this review conducted?

When some entity became the CDA Participant, there are no further access restrictions and requirements reviewed at the CDA level (jurisdiction), till it fulfill obligation arises from activities in CDA.

How are participation criteria, including restrictions in participation, publicly disclosed?

CDA rules, publicly available on CDA web site [www.cda.me](http://www.cda.me)

Where can a description of the specific eligibility requirements for Bank participants be found?

<http://www.scmn.me/fajlovi/ZakonOBankama.pdf>,  
<http://www.scmn.me/fajlovi/ZakonOHartijamaOdVrijednosti.pdf>,  
<http://www.scmn.me/fajlovi/PRAVILA%20O%20OBAVLJANJU%20KASTODI%20POSLOVA.pdf>,  
<http://www.scmn.me/fajlovi/01-9-2737-2-11.pdf> (rules on the performance of depository activities),  
<http://www.cda.me/>  
(CDA rules)

Where can a description of the specific eligibility requirements for Broker participants be found?

<http://www.scmn.me/fajlovi/ZakonOHartijamaOdVrijednosti.pdf>,  
<http://www.cda.me/> (CDA rules)

Where can a description of the specific eligibility requirements for Individual participants be found?

Where can a description of the specific eligibility requirements for Foreign Institution participants be found?

Where can a description of the specific eligibility requirements for participants described above as "Other entities" be found?

<http://www.scmn.me/fajlovi/ZakonOHartijamaOdVrijednosti.pdf>,  
<http://www.cda.me/> (CDA rules)

How does the CSD notify participants of material changes to the conditions of participation? By e-mail

How does the CSD notify participants of material changes to the conditions of participation? By telephone

How does the CSD notify participants of material changes to the conditions of participation? By public announcement

Yes [Y]

How does the CSD notify participants of material changes to the conditions of participation? By press release

How does the CSD notify participants of material changes to the conditions of participation? Not applicable

How does the CSD notify participants of material changes to the conditions of participation? Other

by sending direct written notice

Please explain:

by sending direct written notice and web announcement on [www.cda.me](http://www.cda.me)

How does the CSD monitor its participants' ongoing compliance with the access criteria? How are the CSD's policies designed to ensure that the information it uses to monitor compliance with participation criteria is timely and accurate?

It isn't in CDA jurisdiction than it does the Montenegro Securities Commission and Central bank Montenegro.  
CDA only permanently monitors if Participant accurately and timely fulfill the obligations arises from activities in CDA.

Who enforces compliance with the CSD's conditions of participation? The CSD

Yes [Y]

Who enforces compliance with the CSD's conditions of participation? The exchange

Who enforces compliance with the CSD's conditions of participation? The CSD's regulator

Who enforces compliance with the CSD's conditions of participation? Not applicable

Who enforces compliance with the CSD's conditions of participation? Other

Please explain:

CDA prior to acceptance in membership check if Applicant meet the conditions proscribed by CDA rules.

Does the CSD have forms of oversight management for assessing and monitoring of the following? Participant eligibility requirements

Yes [Y]

Does the CSD have forms of oversight management for assessing and monitoring of the following? Participant volumes

Yes [Y]

Does the CSD have forms of oversight management for assessing and monitoring of the following? Participant financial strength

Does the CSD have forms of oversight management for assessing and monitoring of the following? Other loss or default protections the CSD maintains

Does the CSD have forms of oversight management for assessing and monitoring of the following? Collateral requirements for participants

Yes [Y]

Does the CSD have forms of oversight management for assessing and monitoring of the following? Debit caps for participants

Does the CSD have forms of oversight management for assessing and monitoring of the following? Settlement controls that minimize or eliminate the risk of default by a participant

Yes [Y]

Does the CSD have forms of oversight management for assessing and monitoring of the following? Blocking of securities movement before receipt of payment

Yes [Y]

Does the CSD have forms of oversight management for assessing and monitoring of the following? Blocking payment until securities are moved

Yes [Y]

Does the CSD have forms of oversight management for assessing and monitoring of the following? Not applicable

Does the CSD have forms of oversight management for assessing and monitoring of the following? Other

Please explain other loss or default protections:

Please explain the requirements:

CDA prior to acceptance in membership check if Applicant meet the conditions proscribed by CDA rules.

During the membership, CDA permanently monitors if Participant accurately and timely fulfill the obligations arises from activities in CDA.

Described participant contributions to Guarantee fund.

Please explain how these debit caps work:

What type or types of settlement controls Blocking or freezing of securities positions

What type or types of settlement controls Controlling DVP settlement

Yes [Y]

What type or types of settlement controls Simultaneous DVP

What type or types of settlement controls Other

Please explain:

Please explain:

CDA has control of securities from import day (T+0 at 3.00 PM) and cash funds from settlement day (T+2 on 10.00AM) which allows transferring the securities and funds almost simultaneously on T+2.

Please explain:

Please identify and explain:

Please explain briefly how these work:

Clearing and settlement in steps:

1.  FTP import of stock exchange file - on T+0 after 3.00 PM
2.  On T+0 - the classification of imported transaction in "accepted" and "unaccepted".  
"Unaccepted" transactions are classified as:
  - (i)  IPO transactions (primary sale of securities) – not include in C&S,
  - (ii)  technically faulty secondary stock exchange transactions - conditionally include in C&S if stock market submit to CDA a written correction on T + 1,
  - (iii)  secondary stock exchange transactions in which there are not enough registered securities in the proprietary account of the seller, on a position which is reserved for the executing participant - not include in C&S, REJECTED and cause a suspension of the Participant who caused the failure with contractual penalty obligation in favor of the Guarantee Fund."Accepted" transactions are subject of C&S and they are classified as „confirmed" and "unconfirmed".  
"Unconfirmed" trades are those which are execute by broker on stock exchange but will be settle by custodian or depository bank and they are object of confirmation. The deadline to confirm on-exchange trades with securities held at CDA is on T+1 by 12.00pm for Voluntary confirmation and on T+1 by 3.00pm for Enforcing confirmation.  
"Confirmed" transactions are not subject to any changes except change the settlement date in accordance with the Rules and Guidelines.
3.  Submission of Settlement projection to each Participant – on T+0 after imports completed. It contains a detailed specification of obligations / claims of Participant s in cash / securities for the next two days (T+1 and T+2), divided by the models of settlement and summary. Settlement Projection can be changed by the end of the day T + 1 (due to the confirmation of the transaction and / or changing the settlement date), when it becomes final Settlement Balance to T + 2, and settlement it carried out according to.
4.  On T+2 between 10 – 12 am: Settlement. It is final and irrevocable transfer of equity positions from the seller account to the buyer account, with a simultaneous transfer of funds from the CDA cash pool account to a cash bank account of the Participant represent seller side (model 1) and Participant net claimant (model 2).

What are the CSD's policies for conducting enhanced surveillance of, or imposing additional controls on, a participant whose risk profile deteriorates?

n/a

What are the CSD's procedures for managing the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements?

Membership in the CDA shall be terminated on the basis of the Commission's decision to revoke the given license to operate.

Punitive measures - Suspension

CDA may decide to suspend the member as a temporary stop providing all or some services, for one or more of the following reasons:

- if according to objective criteria and parameters CDA evaluate the significant danger of insolvency and / or illiquidity due receivables will not be charged, and in order to prevent provoking new expenditure and an increase in receivables pursuant to Member;
- if a member appearances financial difficulties of such a nature that may be reasonably expected to affect the fulfillment of its obligations;
- if Participant fails to correct any failure in performing its monetary obligation, in the manner and amount specified by the CDA in accordance with these rules, instructions, price list and other legal acts of the CDA;
- if Participant fails to correct any failure in performing its obligations relating to the delivery of securities in accordance with these rules, instructions and other legal acts.

The suspension lasts until the termination of the circumstances which have caused.

What enforcement actions are available to the enforcement authority? Fines

Yes [Y]

What enforcement actions are available to the enforcement authority? Restrictions on participation

What enforcement actions are available to the enforcement authority? Suspension of participation

Yes [Y]

What enforcement actions are available to the enforcement authority? Termination of participation

Yes [Y]

What enforcement actions are available to the enforcement authority? Not applicable

What enforcement actions are available to the enforcement authority? Other

Please explain:

Membership in the CDA shall be terminated on the basis of the Commission's decision to revoke the given license to operate.

Punitive measures - Suspension

CDA may decide to suspend the member as a temporary stop providing all or some services, for one or more of the following reasons:

- if according to objective criteria and parameters CDA evaluate the significant danger of insolvency and / or illiquidity due receivables will not be charged, and in order to prevent provoking new expenditure and an increase in receivables pursuant to Member;
- if a member appearances financial difficulties of such a nature that may be reasonably expected to affect the fulfillment of its obligations;
- if Participant fails to correct any failure in performing its monetary obligation, in the manner and amount specified by the CDA in accordance with these rules, instructions, price list and other legal acts of the CDA;
- if Participant fails to correct any failure in performing its obligations relating to the delivery of securities in accordance with these rules, instructions and other legal acts.

The suspension lasts until the termination of the circumstances which have caused.

Has there been any such enforcement actions in the last three years?

Yes [Y]

If yes, please explain, including information relative to any suspensions of CSD participants:

CDA, from the beginning of 2013 up to present, imposed 7 fines to 5 participants because they causing rejection of stock exchange transaction(s) due to trading in securities that were not available (reserved with them).

How are the CSD's procedures for managing the suspension and orderly exit of a participant disclosed to the public?

CDA rules publicly available on [www.cda.me](http://www.cda.me), as well as list of all imposed fines / suspensions

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Tiered participation (PFMI Principle 19)

Summary narrative for PFMI Principle 19. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

Does the CSD have any tiered participation arrangements? If so, describe these arrangements.

In the CDA there are no tiered participation arrangements of membership. There are only direct members as participant members.

How does the CSD gather basic information about indirect participation? Which information is collected and how frequently is it updated?

n/a

How does the CSD evaluate its risks arising from these arrangements?

n/a

What material risks to the CSD arising from tiered participation arrangements has the CSD identified? How has it mitigated these risks?

n/a

How does the CSD identify material dependencies between direct and indirect participants that might affect the CSD?

n/a

Has the CSD identified (a) the proportion of activity that each direct participant conducts on behalf of indirect participants in relation to the direct participants' capacity, (b) direct participants that act on behalf of a material number of indirect participants, (c) indirect participants responsible for a significant proportion of turnover in the system, and (d) indirect participants whose transaction volumes or values are large relative to the capacity of the direct participant through which they access the CSD to manage risks arising from these transactions?

n/a

What risks to the CSD arise, and how does the CSD manage these risks arising from key indirect participants?

n/a

What are the CSD's policies for reviewing its rules and procedures in order to mitigate risks to the CSD arising from tiered participation? How frequently is this review conducted?

n/a

What criteria does the CSD use to determine when mitigating actions are required? How does the CSD monitor and mitigate its risks?

n/a

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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Links (PFMI Principle 20)

Summary narrative for PFMI Principle 20. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

CDA has no any established link(s) to another CSD.

What process is used to identify potential sources of risk (such as, legal, credit, liquidity, custody and operational risks) arising from prospective links? How does this affect the CSD's decision whether to establish the link?

n/a

What links have been established with other CSD? How does the CSD identify, monitor and manage the risks arising from an established link on an ongoing basis?

CDA has no any established link(s) to another CSD.

Please list all depositories or settlement systems to which you have an electronic link.

none

How does the CSD ensure that link arrangements are designed so that it is able to remain observant of the other principles? How frequently is this analysis conducted?

n/a

In which jurisdictions has the CSD established links? What are the relevant legal frameworks supporting the established links?

n/a

How does the CSD ensure that its links have a well founded legal basis that support its design and provide it with adequate protection in all relevant jurisdictions? How does the CSD ensure that such protections are maintained over time?

n/a

What processes are in place to measure, monitor and manage credit and liquidity risks arising from any established links?

n/a

If a CSD extends credit to a linked CSD, what processes exist to ensure that credit extensions to the linked CSD are fully covered by high-quality collateral and that credit limits are appropriate?

n/a

Are provisional transfers of securities allowed across the link? If so, what arrangements make provisional transfers necessary, and is the retransfer of these securities prohibited until the first transfer is final?

n/a

For any established link, how has the investor CSD determined that the rights of its participants have a high level of protection?

n/a

How frequently is reconciliation of holdings conducted by the entities holding the securities in custody?

n/a

How does the investor CSD provide a high-level of protection for the rights of its participants (including segregation and portability arrangements and asset protection provisions for omnibus accounts)?

n/a

If the CSD uses an intermediary to operate a link, what are the criteria used by the CSD to select the intermediary or intermediaries? Are these criteria risk-based?

n/a

What are the respective liabilities of the two linked CSDs and the intermediaries?

n/a

What processes exist to measure, monitor and manage the risks arising from use of the intermediary?

n/a

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Efficiency and effectiveness (PFMI Principle 21)

Summary narrative for PFMI Principle 21. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

How does the CSD determine whether its design (including its clearing and settlement arrangement, its operating structure, its delivery systems and technologies, and its individual services and products) is taking into account the needs of its participants and the markets it serves?

CDA is involved in the analysis of its business operations in various ways - through the work of various committees and work groups involving service users (issuer members, participant members and investors) and representatives of the capital market institutions and the regulator. Individual suggestions and comments are also studied, in order to make its services better, greater and more purposeful. European and international business standards are taken into account and modern and effective solutions are applied in technical and technological regard.

How does the CSD determine whether it is meeting the requirements and needs of its participants and other users and continues to meet those requirements as they change (for example, through the use of feedback mechanisms)?

CDA uses feedback on their system and conduct and based on this information performs adjustments of systems and procedures.

What are the CSD's goals and objectives as far as the effectiveness of its operations is concerned?

CDA aim is to develop an efficient framework enabling protection of proprietary rights of shareholders and prospective investors. We pursue constant development and upgrading of investment flow control mechanisms with a view of fostering investment into Montenegrin companies by offering highly proficient services for registry keeping and introducing enhanced electronic technology covering all stages from primary placement of securities to the transfer at the secondary securities market.

How does the CSD ensure that it has clearly defined goals and objectives that are measurable and achievable?

CDA has developed control functions, it is subject to internal control procedures, as well as control of the regulator, and any deviation from the set objectives and general principles set out in the regulations, rules and procedures of business operations is to be corrected as soon as possible.

To what extent have the goals and objectives been achieved? What mechanisms does the CSD have to measure and assess this?

n/a

What processes and metrics does the CSD use to evaluate its efficiency and effectiveness?

n/a

How frequently does the CSD evaluate its efficiency and effectiveness?

n/a

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Communication (PFMI Principle 22)

Summary narrative for PFMI Principle 22. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

Does the CSD use an internationally accepted communications procedure and, if so, which one(s)? If not, how does the CSD accommodate internationally accepted communication procedures?

No, CDA don't use an internationally accepted communications procedure (e.g SWIFT)

Security Control. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? By direct electronic link

Yes [Y]

Security Control. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? By receipt of physical account holding statements

Security Control. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? Not applicable

Security Control. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? Other

Please explain:

Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?

Yes [A01]

Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.? Other

How is access given to participants? By direct electronic link

Yes [Y]

How is access given to participants? Other

Please select type of electronic link: Dial-up modem

Please select type of electronic link: Secured, leased, dedicated telephone line

Yes [Y]

Please select type of electronic link: Internet

Please select type of electronic link: Fax

Please explain:

Does the CSD communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?

Yes [A01]

Does the CSD communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages? Other

Please explain:

How does the CSD communicate with Stock Exchanges? Dial-up modem

How does the CSD communicate with Stock Exchanges? Secured, leased, dedicated telephone line

Yes [Y]

How does the CSD communicate with Stock Exchanges? Internet

How does the CSD communicate with Stock Exchanges? Fax

How does the CSD communicate with Stock Exchanges? Paper

Yes [Y]

How does the CSD communicate with Stock Exchanges? other

Yes [Y]

How does the CSD communicate with Stock Exchanges? Not applicable

How does the CSD communicate with Stock Exchanges? Other

How does the CSD communicate with Payment Systems? Dial-up modem

How does the CSD communicate with Payment Systems? Secured, leased, dedicated telephone line

Yes [Y]

How does the CSD communicate with Payment Systems? Internet

How does the CSD communicate with Payment Systems? Fax

How does the CSD communicate with Payment Systems? Paper

How does the CSD communicate with Payment Systems? other

How does the CSD communicate with Payment Systems? Not applicable

How does the CSD communicate with Payment Systems? Other

How does the CSD communicate with Clearing Houses? Dial-up modem

How does the CSD communicate with Clearing Houses? Secured, leased, dedicated telephone line

How does the CSD communicate with Clearing Houses? Internet

How does the CSD communicate with Clearing Houses? Fax

How does the CSD communicate with Clearing Houses? Paper

How does the CSD communicate with Clearing Houses? other

How does the CSD communicate with Clearing Houses? Not applicable

Yes [Y]

How does the CSD communicate with Clearing Houses? Other

How does the CSD communicate with Registrars? Dial-up modem

How does the CSD communicate with Registrars? Secured, leased, dedicated telephone line

How does the CSD communicate with Registrars? Internet

Yes [Y]

How does the CSD communicate with Registrars? Fax

How does the CSD communicate with Registrars? Paper

Yes [Y]

How does the CSD communicate with Registrars? other

Yes [Y]

How does the CSD communicate with Registrars? Not applicable

How does the CSD communicate with Registrars? Other

If the CSD engages in cross-border operations, how do the CSD's operational procedures, processes and systems use or otherwise accommodate internationally accepted communication procedures for cross-border operations?

CDA isn't engage in cross-border operations.

Does the CSD use an internationally accepted communications standard and, if so, which one(s)? If not, how does the CSD accommodate internationally accepted communication standards?

no

If the CSD engages in cross-border operations, how do the CSD's operational procedures, processes and systems use or otherwise accommodate internationally accepted communication standards for cross-border operations?

n/a

If no international standard is used, how does the CSD accommodate systems that translate or convert message format and data from international standards into the domestic equivalent and vice versa?

n/a

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Transparency and disclosure (PFMI Principle 23)

Summary narrative for PFMI Principle 23. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

What documents comprise the CSD's rules and procedures? How are these documents disclosed to participants?

CDA Rules and Procedures publicly available on web site [www.cda.me](http://www.cda.me)  
They contain provisions and procedures on legal and operational aspects of admission to membership, rights and obligations of members, suspension of members and termination of membership, confidentiality of information, registration, storage and termination of securities, opening, managing and closing of securities accounts, establishing positions, acquisition and transfers of securities, corporate actions, clearing and settlement of transactions

How does the CSD determine that its rules and procedures are clear and comprehensive?

What information do the CSD's rules and procedures contain on the procedures it will follow in non-routine, though foreseeable, events?

Default procedures  
Punitive measures - Suspension and Termination

How and to whom does the CSD disclose the processes it follows for changing its rules and procedures?

It is declared in the CDA Rules following provisions:  
Amendments to the Rules brings the Assembly of the Central Depository Agency.  
Proposal of amendments shall be published on the Agency's website at least 15 days before the adoption of the proposed amendments.  
In the process of making amendments to the Agency shall, as far as possible, to accept comments and suggestions member, or must declare in writing the reasons why certain remarks and suggestions are not respected.

How does the CSD disclose relevant rules and key procedures to the public?

Documents CDA Rules and Procedures are published on the website [www.cda.me](http://www.cda.me)

What documents comprise information about the system's design and operations? How and to whom does the CSD disclose the system's design and operations?

CDA Rules and Procedures provide complete insight into the way of doing business of the CDA. In addition to these basic acts on the website [www.cda.me](http://www.cda.me) other documents and forms can be found that detail all procedures of the depository system and corporate actions, as well as the clearing and settlement system.

How and to whom does the CSD disclose the degree of discretion it can exercise over key decisions that directly affect the operation of the system

The degree of confidentiality is determined by the legal provisions and regulations of the CDA, which are available to the public ([www.cda.me](http://www.cda.me)).

What information does the CSD provide to its participants about their rights, obligations and risks incurred through participation in the CSD?

CDA Rules and Procedures and membership contract with other available documentation provide all necessary information on the rights and obligations of Participant, as well as risks associated with membership in the CDA.

How does the CSD facilitate its participants' understanding of the CSD's rules, procedures and the risks associated with participating?

CDA has rules and procedures based on an equal approach to all members and strives for their provisions to be clear and unambiguous. CDA offers the training courses for Participants also.

Is there evidence that the means described above enable participants' understanding of the CSD's rules, procedures and the risks they face from participating in the CSD?

Proof of the above is a negligible number of unfulfilled obligations in the clearing and settlement system

In the event that the CSD identifies a participant whose behaviour demonstrates a lack of understanding of the CSD's rules, procedures and the risks of participation, what remedial actions are taken by the CSD?

CDA will contact the member and try to explain all disputes

Does the CSD publicly disclose its fees at the level of its individual services and policies on any available discounts? How is this information disclosed?

Fee Schedule of the CDA with the prices of individual services and terms for certain discounts is publicly available on website [www.cda.me](http://www.cda.me).

How does the CSD notify participants and the public, on a timely basis, of changes to services and fees?

All changes of CDA price list are published in the Official Journal of Montenegro and consolidated version of Price list is publicly available on the website [www.cda.me](http://www.cda.me).

Does the CSD provide a description of its priced services? Do these descriptions allow for comparison across similar CSD??

CDA Fee Schedule contains descriptions and explanations of pricing services and short descriptions of what a certain fees includes.

Does the CSD disclose information on its technology and communication procedures, or any other factors that affect the costs of operating the CSD?

yes, publicly available as part of manual instructions and procedures for Participants, investors and issuers (e-account service)

When did the CSD last complete the PFMI Disclosure framework for financial market infrastructures? How frequently is it updated? Is it updated following material changes to the CSD and its environment and, at a minimum, every two years?

CDA has so far not filled the PFMI Disclosure framework for financial market infrastructures (MSEC done it).

What quantitative information does the CSD disclose to the public? How often is this information updated?

CDA publishes on its website the following quantitative information:

- list of issuance and issuers
- 10 largest shareholders (daily)
- Non-market transactions (weekly)
- list of corporate activities (when it happens)

What other information does the CSD disclose to the public?

- diverse questionnaires (ECDSA, ANNA, AGC, Thomas Murray)
- annual business report with auditor's report

Capital. Are annual financial statements publicly disclosed?

Yes [A01]

Capital. Are annual financial statements publicly disclosed? Other

If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?

Yes [Y]

If yes, please upload the document(s) here or insert web link(s) in question 13d:

CDA Report 2016 \_ montenegrin.pdf (3065KB) 2016Translation CDA 2015 .pdf (1721KB)  
2015CDA annual report 2014.pdf (634KB) 2014

filecount - If yes, please upload the document(s) here or insert web link(s) in question 13d:

3

If more than one document for 13b, please upload the additional document here:

filecount - If more than one document for 13b, please upload the additional document here:

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Please insert web link(s) for 13b here:

[www.cda.me](http://www.cda.me)

If no, and annual report and/or financial statements are not disclosed, please state your share capital, reserves, and retained earnings (or equivalents as determined under local accounting standards). Share Capital (then please answer 13f):

Reserves (then please answer 13g):

50.228 € (on 31/12/2016)

Retained Earnings:

263.633 € (on 31/12/2016)

How does the CSD disclose this information to the public? In which language(s) are the disclosures provided?

in Montenegrin

AGC members from time to time receive requests from their direct investor-clients for an informational copy of a CSD's completed questionnaire. Such requests typically lead to interactions between personnel at the CSD in question and member personnel or client personnel, or both. Those interactions take time and impose costs on both members and depositories. Do you approve of AGC members delivering a copy of your completed questionnaire to the member's direct client in response to the client's request?

Yes [Y]

Are the results of the financial audit publicly available?

Yes [Y]

Are the results of the operational audit publicly available?

List of publicly available resources. Please list publicly available resources, including those referenced in the disclosure, that may help a reader understand the CSD and its approach to observing each applicable PFMI Principle.

[www.scmn.me](http://www.scmn.me) (Montenegro Securities Commission)

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Compliance with SEC Rule 17f-7

Rule 17f-7, by reference to Rule 17f-4, requires that, for a CSD to be eligible to hold securities of U.S. registered investment companies (such depositories hereinafter referred to as “Eligible Securities Depositories”), the CSD must be a “system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities.”

Are all securities of a particular class or series of any issuer that are deposited in your institution treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?

Yes [Y]

Please explain

All securities of a particular class or series of any issuer that are deposited in CDA are fungible and can be transferred or pledged by bookkeeping entry without physical delivery of the securities.

Rule 17f-7 also requires that an Eligible Securities CSD “acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated,” or “acts as or operates a transnational system for the central handling of securities or equivalent book-entries.” Does your institution: Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated?

Yes [Y]

Rule 17f-7 also requires that an Eligible Securities CSD “acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated,” or “acts as or operates a transnational system for the central handling of securities or equivalent book-entries.” Does your institution: Act as or operate a transnational system for the central handling of securities or equivalent book-entries?

Rule 17f-7 also requires that an Eligible Securities CSD “acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated,” or “acts as or operates a transnational system for the central handling of securities or equivalent book-entries.” Does your institution: Act in another capacity with respect to the handling of securities or equivalent book-entries?

Rule 17f-7 also requires that an Eligible Securities CSD “acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated,” or “acts as or operates a transnational system for the central handling of securities or equivalent book-entries.” Does your institution: Not applicable

Rule 17f-7 also requires that an Eligible Securities CSD “acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated,” or “acts as or operates a transnational system for the central handling of securities or equivalent book-entries.” Does your institution: Other

Please explain:

CDA is legally responsible for the registration of all securities issued in Montenegro

Please specify the types of securities for which you act as or operate a system for the central handling of securities or equivalent book-entries:

Equities, debt instruments, T-bills, but the CDA system is appropriate for registration of all CFI

Rule 17f-7 requires that an Eligible Securities Depository regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act, with section 2(a)(50) establishing that z 'foreign financial regulatory authority' means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above." Who regulates the activities of the CSD? A governmental body or regulatory organization empowered to administer or enforce laws related to securities matters.

Yes [Y]

Rule 17f-7 requires that an Eligible Securities Depository regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act, with section 2(a)(50) establishing that z 'foreign financial regulatory authority' means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above." Who regulates the activities of the CSD? A governmental body or self-regulatory organization empowered to administer or enforce laws related to other financial activities.

Rule 17f-7 requires that an Eligible Securities Depository regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act, with section 2(a)(50) establishing that z 'foreign financial regulatory authority' means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above." Who regulates the activities of the CSD? A membership organization which regulates the participation of its members in securities matters or other financial activities.

Rule 17f-7 requires that an Eligible Securities Depository regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act, with section 2(a)(50) establishing that z 'foreign financial regulatory authority' means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above." Who regulates the activities of the CSD? Other

Please explain:

Please provide the name of regulatory authority(ies) identified in question 8:

Securities Commission of Montenegro

Rule 17f-7 requires that an Eligible Securities Depository is subject to periodic examination by regulatory authorities or independent accountants. Is the CSD subject to periodic examination by: Regulatory authorities?

Yes [Y]

Rule 17f-7 requires that an Eligible Securities Depository is subject to periodic examination by regulatory authorities or independent accountants. Is the CSD subject to periodic examination by: Independent accountants?

Yes [Y]

Rule 17f-7 requires that an Eligible Securities Depository is subject to periodic examination by regulatory authorities or independent accountants. Is the CSD subject to periodic examination by: Other

Please explain:

- periodic control of the Regulator (direct control twice a year, indirect when necessary)
- Annual Independent Auditors' Report

Name of Authority #1 (please answer 11a):

Securities Commission of Montenegro

What enforcement actions are available to regulatory authority #1 for breach of applicable statute or regulatory requirements? Fines

Yes [Y]

What enforcement actions are available to regulatory authority #1 for breach of applicable statute or regulatory requirements? Restrictions on CSD activities.

Yes [Y]

What enforcement actions are available to regulatory authority #1 for breach of applicable statute or regulatory requirements? Suspension of CSD activities.

Yes [Y]

What enforcement actions are available to regulatory authority #1 for breach of applicable statute or regulatory requirements? Termination of CSD activities.

Yes [Y]

What enforcement actions are available to regulatory authority #1 for breach of applicable statute or regulatory requirements? Other

Please explain:

according to Law on securities provisions

Name of Authority #2:

What enforcement actions are available to regulatory authority #2 for breach of applicable statute or regulatory requirements? Fines

What enforcement actions are available to regulatory authority #2 for breach of applicable statute or regulatory requirements? Restrictions on CSD activities.

What enforcement actions are available to regulatory authority #2 for breach of applicable statute or regulatory requirements? Suspension of CSD activities.

What enforcement actions are available to regulatory authority #2 for breach of applicable statute or regulatory requirements? Termination of CSD activities.

What enforcement actions are available to regulatory authority #2 for breach of applicable statute or regulatory requirements? Other

Please explain:

Has there been any use of such enforcement actions in the last three years? Yes

Has there been any use of such enforcement actions in the last three years? No

Yes [Y]

Has there been any use of such enforcement actions in the last three years? Other

If yes, please explain:

Has the regulatory body with oversight responsibility for the CSD issued public notice that the CSD is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?

No [A02]

Has the regulatory body with oversight responsibility for the CSD issued public notice that the CSD is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body? Other

Please describe:

In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the CSD?

In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the CSD? Other

If yes, please describe:

If no, why not?

Rule 17f-7 requires that an Eligible Securities Depository holds assets for the custodian that participates in the system on behalf of the Fund under safekeeping conditions no less favorable than the conditions that apply to other participants. Please confirm that assets of foreign investors held by custodians as participants in the CSD are held under safekeeping conditions no less favorable than the conditions that apply to other participants.

Yes [A1]

Rule 17f-7 requires that an Eligible Securities Depository holds assets for the custodian that participates in the system on behalf of the Fund under safekeeping conditions no less favorable than the conditions that apply to other participants. Please confirm that assets of foreign investors held by custodians as participants in the CSD are held under safekeeping conditions no less favorable than the conditions that apply to other participants. Other

If no, other or not applicable, please explain:

Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. Relevant Law and Regulation

Yes [Y]

Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. Standard participation contract

Yes [Y]

Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. Established terms and conditions of participation

Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. By-laws of the CSD

Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. Rules of the CSD

Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. Other

For each item in Question 21b that you checked, please briefly supply references or citations to the law(s), regulation(s), or CSD rule(s), participation condition(s), or participant contract provision (s), as applicable.

The role of CDA in respect of custody operations is only in the fact that the custodian accounts (collective custody accounts and custody accounts in the name) are opening in the CDA system. CDA has no authority over these accounts, but the management of custody accounts is in the exclusive jurisdiction of the local custodians (in accordance with the Rules of conduct of custody operations and the signed contract with a client whose securities custodian manages). CDA guarantees only the technical safety of the care, while a custody participant is fully responsible for the legality and legitimacy of the transfers and assignment of the securities in its custody accounts.

Rule 17f-7 requires that an Eligible Securities Depository provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account. Does the CSD make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?

Yes [A01]

Rule 17f-7 requires that an Eligible Securities Depository provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account. Does the CSD make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account? Other

If no or other, please explain

If yes, please indicate the scheduled frequency: Daily

If yes, please indicate the scheduled frequency: Weekly

If yes, please indicate the scheduled frequency: Monthly

If yes, please indicate the scheduled frequency: Quarterly

If yes, please indicate the scheduled frequency: Annually

If yes, please indicate the scheduled frequency: Upon request

Yes [Y]

If yes, please indicate the scheduled frequency: Other

A Participant is able at any moment to initiate a several reports from CDA IS which will provide him regarding data.

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Relevant RSSS recommendations

Confirmation of trades between direct market participants should occur as soon as possible after trade execution, but no later than trade date (T+0). Where confirmation of trades by indirect market participants (such as institutional investors) is required, it should occur as soon as possible after trade execution, preferably on T+0, but no later than T+1.

CDA Rules:

shedule: On T+0 at 3:00 PM - the classification of imported stock exchange transaction in "accepted" and "unaccepted". "Accepted" transactions are subject of C&S and they are classified as „confirmed" and "unconfirmed".

"Unconfirmed" trades are those which are execute by broker on stock exchange but will be settle by custodian or depository bank and they are object of confirmation. The deadline to confirm on-exchange trades with securities held at CDA is on T+1 by 12.00pm for Voluntary confirmation and on T+1 by 3.00pm for Enforcing confirmation.

"Confirmed" transactions are not subject to any changes except change the settlement date in accordance with the Rules and Guidelines.

Rolling settlement should be adopted in all securities markets. Final settlement should occur no later than T+3. The benefits and costs of a settlement cycle shorter than T+3 should be evaluated.

CDA Rules:

CDA provides Settlement on the second business day after the transaction conclusion on the Stock Exchange (T+2), with the possibility of: (1) shortened settlement cycle (T+0, T+1) after the approval of both parties, and (2) extended settlement cycle (T+3) in case the payment is made by delivery of other securities.

shedule: On T+2 between 10 – 12 am: Settlement - It is final and irrevocable transfer of equity positions from the seller account to the buyer account, with a simultaneous transfer of funds from the CDA cash pool account to a cash bank account of the Participant represent seller side (model 1) and Participant net claimant (model 2).

Securities lending and borrowing (or repurchase agreements and other economically equivalent transactions) should be encouraged as a method for expediting the settlement of securities transactions. Barriers that inhibit the practice of lending securities for this purpose should be removed.

n/a

Securities should be immobilised or dematerialised and transferred by book entry in CSDs to the greatest extent possible.

all securities registered in CDA are dematerialised and transferred by book entry in CDA (by Law on securities provisions)

Entities holding securities in custody should employ accounting practices and safekeeping procedures that fully protect customers' securities. It is essential that customers' securities be protected against the claims of a custodian's creditors.

Securities held on custodian accounts are protected by law against the claims of a custodian's creditors, and are not considered his property (according the provisions of MSEC Rules on performing custody operations)

Add relevant appendices for this group.

filecount - Add relevant appendices for this group.

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## Appendices

Add relevant appendices

filecount - Add relevant appendices

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I am submitting up-to-date information in response to:

Both AGC and PFMI questions [A3]