

WFC Single Disclosure Report 2018

Date submitted

30/05/2019 06:48:37

General information

1 G01Q001

Please indicate the full name of the responding institution:

PFMI: Annex A - CSD disclosure template [CSD name]

AGC: 0a

Central Securities Depository and Clearing Company of Montenegro (english name: CSD&CC-Montenegro, local short name: CKDD)

2 G01Q002

Registered address:

PFMI: n/a

AGC: 0c

Novaka Miloševa bb, 81000 Podgorica, Montenegro

3 G01Q003

Country of registered address:

PFMI: n/a

AGC: 0d

Montenegro

4 G01Q004

Official website of the respondent institution:

PFMI: Annex A - CSD disclosure template [website]

AGC: n/a

www.ckdd.me

5 G01Q005

The date of this disclosure is:

PFMI: Annex A - CSD disclosure template [date]

AGC: n/a

28/05/2019

6 G01Q006

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?

PFMI: n/a
AGC: 99

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]

7 G01Q007
How will you be making your answers publicly available?

PFMI: n/a
AGC: 99a

- Website
- Upon request
- OTHER:

8 G01Q008
This disclosure can also be found at the following web address(es):

PFMI: Annex A - CSD disclosure template [website URL]
AGC: 99b

9 G01Q009
First and Last Name of the contact person:

PFMI: Annex A - CSD disclosure template [contact details]
AGC: 99c

Marko Vojinović

10 G01Q009A
Disclosure submission authorisation

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

11 G01Q010
Email address of the contact person:

PFMI: Annex A - CSD disclosure template [contact details]
AGC: 99h

marko.vojinovic@ckdd.me

12 G01Q011
Telephone number (please include the international country code):

PFMI: n/a
AGC: 99e

+382.20.230.056

13 G01Q012
How do you prefer to be contacted?

PFMI: n/a
AGC: 99d

- Telephone
- Fax
- mail/air courier
- e-mail

14 G01Q013
Fax number

PFMI: n/a
AGC: 99f

+382.20.230.053

15 G01Q014
What is the preferred street address for mailing requests?

PFMI: n/a
AGC: 99g

Novaka Miloševa bb, 81000 Podgorica, Montenegro

16 G01Q015
Please list the jurisdiction(s) in which the CSD operates:

PFMI: Annex A - CSD disclosure template [list jurisdictions]
AGC: n/a

Montenegro

17 G01Q016
Please list the authority(ies) regulating, supervising or overseeing the CSD:

PFMI: Annex A - CSD disclosure template [list authorities]
AGC: n/a

Capital Market Authority of Montenegro (former Montenegro Securities and Exchange Commission)

18 G01Q017
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.)

PFMI: I.
AGC: n/a

CSD&CC-Montenegro (hereinafter CKDD) 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. CKDD was established in 2000 under the name CDA and 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. CKDD is regulated and supervised by Capital Market Authority of Montenegro. CKDD operates in accordance with the provisions of the Montenegrin Capital Market Law and other relevant domestic legislation, the rules and regulations of the Capital Market Authority of Montenegro, the CKDD Statute, internal rules and procedures adopted by the Board of Directors, and approved by the Capital Market Authority of Montenegro. Its systems, procedures and risk management framework allow CKDD 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 CKDD are stored in electronic book-entry form (100% dematerialized securities, in Montenegro there are no bearer securities), based on beneficiary-owner account segregation concept. CKDD 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 CKDD rules, which necessarily involves obtaining the appropriate Capital Market Authority of Montenegro permit / license. CKDD also acts as the National Numbering Agency, being in charge of assigning ISIN (International Securities Identification Number), CFI (Classification of Financial Instruments) and FISN codes to all securities issued in Montenegro. CKDD 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.

19 G01Q018

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.)

PFMI: II.

AGC: n/a

The Montenegrin Government published on 4 January 2018 a new Capital Market Law in the Official Gazette 1/2018. The law, which came into force on 12 January 2018, has replaced the Law on Securities and is aimed at harmonising Montenegrin legislation with EU regulation as well as MIFID directives.

The most significant changes introduced with the new law are the following:

- Introduction of new trading mechanisms through the creation of new trading platforms (multilateral trading platforms - MTP and OTC trading);
- Transformation of the Central Depository Agency Podgorica (CDA) into a Central Depository Clearing Company (CKDD). The process is fully completed during 2018!
- New minimum capital requirements for:
 - Regulated capital market organisers (stock exchanges): EUR 1 million.
 - Organisers of MTP: EUR 730,000. However, if the capital market operator also runs the MTP, the minimum capital cannot be less than EUR 1 million.
 - Central Depository Clearing Company: EUR 750,000 - fully completed in 2018!
- Establishment of an Investor Protection Fund by 1 January 2020, which protects against claims from clients up to EUR 20,000. The initial contribution of the funds members will be EUR 5,000;
- Significant increase in standards of service delivery and protection of investors through a more detailed definition of rights and obligations;
- The Securities Commission of Montenegro (SCMN) shall cooperate with ESMA submitting and exchanging data and information;
- The regulatory framework of the capital market was expanded in a more detailed and precise way, including

instruments and institutions that do not currently exist in Montenegro.

20 G01Q019

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.)

PFMI: III.1.

AGC: n/a

CKDD offers / performs the following services to specific clients: Services rendered to Issuers: - Compile and keep securities holders registry (in CKDD 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; CKDD 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. CKDD 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); CKDD 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 CKDD 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 15,000 €); - Reconciliation and regular daily reporting to Participants of clearing and settlement activities performed.

21 G01Q020

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.)

PFMI: III.2

AGC: n/a

CKDD 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. Capital Market Authority of Montenegro gives approval for the selection of the CKDD Board of Directors and CEO. CKDD has 12 employees (on non-executive level, without CEO and Secretary) organized into the following sections: Operations department (5), IT Department (2), Finance department (2), General affairs (2) and

Risk Analyst (1).

22 G01Q021

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.)

PFMI: III.3

AGC: n/a

CKDD is the only institution in Montenegro that was granted a licence to perform CSD services. This licence was granted to CKDD by national securities market regulator - Capital Market Authority of Montenegro. CKDD is according to Montenegrin Capital Market Law organized as a joint stock company, and CKDD currently ownership structure could be distributed into following major ownership groups: Central Bank of Montenegro (35%), domestic commercial banks (15%), domestic legal entities (20 %), foreign investment companies (11%) and 19% owned by Market Participants. CKDD's operations are governed by Montenegro Capital Market Law. 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 CKDD governing documents are following: CKDD Rules , CKDD Statute, CKDD Price list, Code of Ethics, Integrity Plan, Risk management policies, User Manual IVR, Instructions for brokers, Instructions for custodians. The CKDD Rules, Statute and Price list are approved by the Capital Market Authority of Montenegro and published in the Official Gazette of Montenegro, while all other CKDD acts are adopted by the Board of Directors. The current versions of all relevant regulations are available on the CKDD website. CKDD is subject to the following types of controls: - Prudential supervision and ad hoc direct controls by the Capital Market Authority of Montenegro 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.

23 G01Q022

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.)

PFMI: III.4

AGC: n/a

CKDD'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). CKDD Central registry of dematerialised securities is designated as electronic database with following operations: RULES OF MEMBERSHIP 1. Membership in the CKDD 1.1. Membership in the CKDD allows the use of services offers to their members. 1.2. Members of the CKDD 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 CKDD 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

CKDD 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 CKDD. 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 CKDD and stock exchanges are determined by these Rules, Guidelines and the mutual membership agreement between. 1.8. Members of the CKDD 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 banks depositories can be either direct or indirect members. (Direct members designate the members of the CKDD who have a direct - "on-line" access to the CKDD computer system. Indirect members designate members of the CKDD who have no direct - "on-line" access to the CKDD computer system.) Membership in the CKDD 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: CKDD 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 CKDD 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 CKDD in accordance with these rules, instructions, price list and other legal acts of the CKDD; • 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 CKDD 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 CKDD 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 CKDD, 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 CKDD, undertakes to act in accordance with these amendments. CKDD 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. CKDD accepts responsibility for the protection of data on dematerialized securities which are located in its base from unauthorized access or system failures. CKDD is not responsible for actions in its system initiated and executed by direct members, on the basis of their legal authority. CKDD does not in any way responsible for relations between the participants and their clients, or participant's omissions / abuses in meeting commitments to customers. CKDD is not responsible for the use and operations on the custody and depository accounts. CKDD 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. CKDD 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 CKDD. CKDD 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 CKDD. REPORTS: CKDD 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 CKDD and must, without delay, inform the CKDD 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. CKDD distributing all relevant data as follows: ☛ Through CKDD 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 CKDD website (www.ckdd.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 (FISN etc). 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. CKDD 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 and FISN codes of securities according to the International Classification of financial instruments;
- e- account services via the web portal of the CKDD, 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 CKDD 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, FISN, 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 CKDD 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 CKDD 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 Capital Market Law. 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 CKDD a request or a certificate of correction, in accordance with the instructions of the CKDD, 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 CKDD, 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 CKDD. Market transactions can be primary sales transactions (IPO) and secondary trading of securities. CDA divide market transactions on accepted and unaccepted. CKDD 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 CKDD treated as unaccepted transactions and does not include them in the process of clearing and settlement. IPO transactions CKDD treats separately in accordance with current legislation and in accordance with the Guidelines. CKDD 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 CKDD, in accordance with permission to operate and user guides. PIN code is eight digits which 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 – CKDD cash pool accounts and Participants cash accounts opened with commercial banks. CKDD 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 CKDD 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 1% 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 CKDD holds on the CKDD 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 CKDD. (Up to the amount of the Guarantee Fund), CKDD 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. CKDD 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, CKDD has established the following procedures: (1) if failed transaction is classified for settlement by BIS model 2, CKDD activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CKDD 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 CKDD 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, CKDD 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).

24 G01Q023
filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

Law on securities_montenegrin.pdf (464KB)	Law on securities	
CDA rules.pdf (407KB)	CDA rules	
CDA procedures_montengrin.pdf (721KB)	CDA procedures	
ZTK 2018.pdf (831KB)	Capital market law	in force from january 2018
06-479 PRAVILA CKDD.pdf (6466KB)	CKDD rules	valid from january 2019
Uputstvo CKDD.pdf (409KB)	CKDD procedures	valid from january 2019

6

Legal Basis (PFMI Principle 1)

25 G02Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P1

AGC: n/a

26 G02Q002

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

PFMI: n/a

AGC: 7

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).

CDA changed its name to Central Securities Depository and Clearing Company of Montenegro (short CSD&CC - Montenegro) as of August 2, 2018, the date of entry into force of the Statute of Central securities depository and clearing company of Montenegro. The change was made in accordance with the Montenegrin Capital Market Law provisions, which came into force on 12 January 2018.

27 G02Q003

Is the regulation or statute electronically available?

PFMI: n/a

AGC: 7a

Yes [Y]

28 G02Q004

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

PFMI: n/a

AGC: 7b

www.ckdd.me

29 G02Q005

filecount - Please supply document(s) here:

PFMI: n/a

AGC: 7c

CDA Statute - montenegrin.pdf (174KB)

CDA Statute

Statut 11.05.2018-konačno.pdf (205KB)	CKDD Statute	on force from may 2018
2		

30 G02Q006

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)?

PFMI: Q.1.1.1

AGC: n/a

CKDD 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 CKDD 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 (FISN etc) in line with the provisions of the Rules and Procedures of the CKDD. CKDD 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, CKDD keeps appropriate securities clearing accounts and clearing cash accounts. Legal security of the CKDD's procedures is based on the application of legal provisions (Capital Market Law and others), the Rules and Procedures of the CKDD. Settlement finality is ensured by the above mentioned regulations and the implementation of settlement in the RTGS system of the Montenegro Central Bank.

31 G02Q007

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

PFMI: Q.1.1.2

AGC: n/a

The jurisdiction of Montenegro courts.

32 G02Q008

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?

PFMI: Q.1.1.3
AGC: n/a

The legal basis of the CKDD's 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), Capital Marekt Law (Official Gazette of Montenegro 01/18) and the Rules and Procedures of the CKDD (www.ckdd.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 CKDD Procedures. Settlement finality is based on legal regulations and described in the Capital Marekt Law and CKDD 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 CKDD 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).

33 G02Q009
How has the CSD demonstrated that its rules, procedures and contracts are clear and understandable?

PFMI: Q.1.2.1
AGC: n/a

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

34 G02Q010
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?

PFMI: Q.1.2.2
AGC: n/a

by Montenegro Capital Market Authority formal approval of CKDD acts.

35 G02Q011
Are the CSD's rules, procedures and contracts reviewed or assessed by external authorities or entities?

PFMI: Q.1.2.2
AGC: n/a

Once approved by Montenegro Capital Market Authority, CKDD rules are not further reviewed.

36 G02Q012
Do the CSD's rules, procedures and contracts have to be approved before coming into effect? If so, by whom and how?

PFMI: Q.1.2.3
AGC: n/a

yes, by Montenegro Capital Market Authority in the form of official approval.

37 G02Q013

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

PFMI: Q.1.3.1

AGC: n/a

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

38 G02Q014

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)?

PFMI: Q.1.4.1

AGC: n/a

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

39 G02Q015

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?

PFMI: Q.1.4.2

AGC: n/a

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

40 G02Q016

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?

PFMI: Q.1.4.3

AGC: n/a

No.

41 G02Q017

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?

PFMI: Q.1.5.1
AGC: n/a

CKDD not conducting business in multiple jurisdictions.

42 G02Q018
filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Governance and ownership (PFMI Principle 2)

43 G03Q001
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.)

PFMI: Annex A - CSD disclosure template - IV.P2
AGC: n/a

44 G03Q002
What type of legal entity is the institution?

PFMI: n/a
AGC: 3

- Public Company
- Private Company
- Central Bank (or part thereof)
- Stock Exchange (or part thereof)
- OTHER:Joint stock company in which Montenegro Central Bank is a major shareholder

45 G03Q003
Is the institution operated as a "for profit" or a "not for profit" organization?"

PFMI: n/a
AGC: 4

For profit [A01]

46 G03Q004

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

PFMI: n/a

AGC: 5

CENTRAL BANK Montenegro 35%, CRNOGORSKA KOMERCIJALNA BANKA 15%, BULL AND BEAR BROKER - DILER 19%, Stamparija Obod 17%, other (local and foreign financial institutions) 14%

47 G03Q005

What is the date of establishment of the CSD?

PFMI: n/a

AGC: 6a

24/05/2000

48 G03Q006

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

PFMI: n/a

AGC: 6b

17/11/2000

49 G03Q007

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

PFMI: n/a

AGC: 18

No [A02]

50 G03Q008

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

PFMI: n/a

AGC: 18a.

51 G03Q009

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

PFMI: Q.2.1.1

AGC: n/a

- 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).

52 G03Q010

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

PFMI: Q.2.1.1

AGC: n/a

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

53 G03Q011

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?

PFMI: Q.2.1.2

AGC: n/a

The internal controls system and regulator supervision ensure adherence to high standards of safety and efficiency of the CKDD. CKDD 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.

54 G03Q012

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?

PFMI: Q.2.2.1

AGC: n/a

CKDD 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 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.

55 G03Q013

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?

PFMI: Q.2.2.2

AGC: n/a

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

56 G03Q014

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

PFMI: Q.2.2.3
AGC: n/a

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

57 G03Q015

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

PFMI: Q.2.2.4
AGC: n/a

All relevant documentation for the members, relevant institutions and information to the public and interested stakeholders is located on the internet pages of the CKDD: www.ckdd.me.

58 G03Q016

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?

PFMI: Q.2.3.1
AGC: 7d

CKDD Board of directors has 5 members. They must have university degree with 3 years of relevant experience. It is management body which makes: draft decision for Assembly; decisions concerning the business, acting in the interest, asset management and disposition of the CKDD; 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 CKDD; guidance for rules; the ethic code; engage consultant

59 G03Q017

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?

PFMI: Q.2.3.2
AGC: n/a

Functioning of the Management Board is determined by CKDD Statute (approved by Montenegro Capital Market Authority, publicly available on www.ckdd.me).

60 G03Q018

What are the election procedures?

PFMI: Q.2.3.2
AGC: 7e

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.

61 G03Q019

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

PFMI: Q.2.3.2

AGC: 7f

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

62 G03Q020

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)?

PFMI: Q.2.3.2

AGC: 7g

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

63 G03Q021

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?

PFMI: Q.2.3.3

AGC: n/a

In October 2017, the CKDD Board of Directors formed the Audit Committee as a collective body consisting of 3 members (1 employee and 2 external members). In accordance with the Law on Auditing, the responsibilities of Audit Committee are advisory assistance to the Board of Directors in fulfilling its supervisory function.

The powers of the Audit Committee are:

- monitoring the financial reporting process
- Monitoring the internal control efficiency

- monitoring the process of auditing annual financial statements

- proposing (to the general meeting of shareholders) of an external auditor

- reporting and consulting to the Board of Directors

64 G03Q022

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?

PFMI: Q.2.3.4

AGC: 7h

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

65 G03Q023

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?

PFMI: Q.2.4.1
AGC: n/a

Members of the CKDD 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 CKDD Statute.

66 G03Q024

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?

PFMI: Q.2.4.2
AGC: n/a

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

67 G03Q025

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

PFMI: Q.2.4.3
AGC: n/a

No [N]

68 G03Q026

If yes, how many?

PFMI: Q.2.4.3
AGC: n/a

69 G03Q027

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?

PFMI: Q.2.4.4
AGC: n/a

70 G03Q028

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

PFMI: Q.2.5.1
AGC: n/a

CKDD 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 CKDD, 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 CKDD and other issues of importance for the CKDD, - 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 CKDD, appointed and dismissed by the Executive Director, - gives orders to the Executive Director for

the implementation of decisions related to the operations of the CKDD, and all other issues of importance for the CKDD, - 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 CKDD, - determined elements account statements and other forms that CKDD benefits in their operations, - adopts the ethics code - adopts general acts of CKDD, 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.

71 G03Q029

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

PFMI: Q.2.5.2

AGC: n/a

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

72 G03Q030

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?

PFMI: Q.2.5.3

AGC: n/a

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

73 G03Q031

What is the process to remove management if necessary?

PFMI: Q.2.5.4

AGC: n/a

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

74 G03Q032

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

PFMI: Q.2.6.1

AGC: n/a

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 CKDD 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.

75 G03Q033

How is it documented?

PFMI: Q.2.6.1

AGC: n/a

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

76 G03Q034

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?

PFMI: Q.2.6.2

AGC: n/a

The CKDD 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.

77 G03Q035

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

PFMI: Q.2.6.3

AGC: n/a

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

78 G03Q036

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

PFMI: Q.2.6.4

AGC: n/a

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 CKDD, has the obligation of conducting periodic inspections of the CKDD's operations in accordance with the identified risks.

79 G03Q037

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?

PFMI: Q.2.6.5
AGC: n/a

through the report(s) of the Audit Committee

80 G03Q038
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?

PFMI: Q.2.7.1
AGC: n/a

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

81 G03Q039
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?

PFMI: Q.2.7.2
AGC: n/a

through the report(s) of the Audit Committee

82 G03Q040
How are conflicts of interest between stakeholders and the CSD identified, and how are they addressed?

PFMI: Q.2.7.2
AGC: n/a

83 G03Q041
To what extent does the CSD disclose major decisions made by the board to relevant stakeholders and, where appropriate, the public?

PFMI: Q.2.7.3
AGC: n/a

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

84 G03042
filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

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CDA rules.pdf (407KB)	statute	
CDA Statute - montenegrin.pdf (174KB)	rules	
Poslovnik o radu Revizorskog odbora CDA.pdf (4296KB)	Audit Committee Rules - montenegrin	
Statut 11.05.2018-konačno.pdf (205KB)	CKDD Statute	valid from may 2018
Pravila CKDD.pdf (401KB)	CKDD rules	in force from january 2019

5

Comprehensive risk management (PFMI Principle 3)

85 G04Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P3

AGC: n/a

86 G04Q002

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

PFMI: Q.3.1.1

AGC: n/a

CKDD 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.

87 G04Q003

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.?

PFMI: Q.3.1.1

AGC: 66x.

No [A02]

88 G04Q004

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

PFMI: Q.3.1.1

AGC: 66y.

- Financial limits are imposed on the amount of liability assumed by the CSD
- The CSD assumes liability for direct losses
- The CSD assumes liability for indirect or consequential losses
- OTHER:

89 G04Q005

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?

PFMI: Q.3.1.1

AGC: 66+

Other: The depository assumes liability for direct losses.

90 G04Q006

Please define the standard of care applied:

PFMI: Q.3.1.1

AGC: 66*

91 G04Q007

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?

PFMI: Q.3.1.2

AGC: n/a

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.

92 G04Q008

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

PFMI: Q.3.1.3

AGC: n/a

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.

93 G04Q009

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?

PFMI: Q.3.1.4
AGC: n/a

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

94 G04Q010

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

PFMI: Q.3.1.5
AGC: n/a

The CKDD process for developing, approving and maintaining risk management policies, procedures and systems is in line with regulatory changes.

95 G04Q011

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

PFMI: Q.3.1.6
AGC: n/a

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

96 G04Q012

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?

PFMI: Q.3.1.7
AGC: n/a

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

97 G04Q013

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?

PFMI: Q.3.2.1
AGC: n/a

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

98 G04Q014

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

PFMI: Q.3.2.2
AGC: n/a

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

99 G04Q015

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?

PFMI: Q.3.2.3
AGC: n/a

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

100 G04Q016

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?

PFMI: Q.3.3.1
AGC: n/a

1. Methods that CKDD 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 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.

101 G04Q017

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

PFMI: Q.3.3.2
AGC: n/a

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.

102 G04Q018

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

PFMI: Q.3.3.3
AGC: n/a

Constant and continuous monitoring of processes involving connectivity with other systems.

103 G04Q019
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?

PFMI: Q.3.3.4
AGC: n/a

constant monitoring and open communication channels with related institutions

104 G04Q020
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?

PFMI: Q.3.4.1
AGC: n/a

Scenarios that would prevent business operations of the CKDD 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 CKDD can not compensate; 3) The withdrawal of the operating license by the regulator.

105 G04Q021
How do these scenarios take into account both independent and related risks to which the CSD is exposed?

PFMI: Q.3.4.2
AGC: n/a

through capital adequacy

106 G04Q022
What plans does the CSD have for its recovery or orderly wind-down?

PFMI: Q.3.4.3
AGC: n/a

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

107 G04Q023
How do the CSD's key recovery or orderly wind-down strategies enable the CSD to continue to provide critical operations and services?

PFMI: Q.3.4.4

AGC: n/a

through back up and startup system from secondary location

108 G04Q024

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

PFMI: Q.3.4.5

AGC: n/a

on annual basis

109 G04Q025

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Credit risk (PFMI Principle 4)

110 G05Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P4

AGC: n/a

111 G05Q002

Does the CSD have a banking license?

PFMI: n/a

AGC: n/a

No [N]

112 G05Q003

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

PFMI: n/a

AGC: n/a

No [N]

113 G05Q004
Please explain:

PFMI: n/a
AGC: n/a

CKDD 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.

114 G05Q005

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?

PFMI: Q.4.1.1
AGC: n/a

The system for managing credit exposures to the members is described in the CKDD Rules, part Default procedures as follows. In the case of failed settlement, CKDD has established the following procedures: (1) if failed transaction is classified for settlement by BIS model 2, CKDD activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CKDD 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 CKDD 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, CKDD 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).

115 G05Q006

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

PFMI: Q.4.1.2
AGC: n/a

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

116 G05Q007

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

PFMI: Q.4.2.1
AGC: n/a

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

117 G05Q008

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?

PFMI: Q.4.2.2
AGC: n/a

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

118 G05Q009

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?

PFMI: Q.4.2.3
AGC: n/a

CKDD 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 CKDD cash pool account (opened with CBM – central bank money, using its 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, CKDD activates the Default procedures.

119 G05Q010

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?

PFMI: Q.4.3.1
AGC: n/a

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

120 G05Q011

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

PFMI: Q.4.3.1
AGC: 78

Yes [A01]

121 G05Q012

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

PFMI: Q.4.3.1
AGC: 78a.

Currently it is about 14.000 EUR, which is about 10 % of the average daily trading turnover on Montenegro stock exchange

122 G05Q013
How is the size of the fund determined?

PFMI: Q.4.3.1
AGC: 78b.

Other: Guarantee fund consists of two parts: fixed part (annual basic contributions which are equal for all participants and equal to 1% of the minimum statutory brokerage capital) and additional part (additional monthly contributions determined in relation to activity of each participant in previous month).

123 G05Q014
How is the fund financed?

PFMI: Q.4.3.1
AGC: 78d.

Contributions from participants [A02]

124 G05Q015
If so, what is the amount or percentage per owner?

PFMI: Q.4.3.1
AGC: 78e.

125 G05Q016
If so, what is the amount or percentage per participant?

PFMI: Q.4.3.1
AGC: 78f.

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 two (but not less than 1% of the minimum statutory brokerage capital - currently it is 500 EUR per member). 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.

126 G05Q017
Who is covered by the fund?

PFMI: Q.4.3.1
AGC: 78h.

Direct CSD participants only

- The beneficial owner also
- OTHER:

127 G05Q018
When is the guaranty fund used?

PFMI: Q.4.3.1
AGC: 78j.

- When a broker defaults
- When a direct participant defaults
- OTHER:

128 G05Q019

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?

PFMI: Q.4.3.2
AGC: n/a

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

129 G05Q020

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?

PFMI: Q.4.3.3
AGC: n/a

It is subject of Default procedures in manner that CKDD 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). CKDD doesn't measure these exposures.

130 G05Q021

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

PFMI: Q.4.3.3
AGC: 91

Not applicable [A03]

131 G05Q022

What is the amount of the coverage?

PFMI: Q.4.3.3
AGC: 91a

132 G05Q023
What is the amount of the deductible?

PFMI: Q.4.3.3
AGC: 91b

133 G05Q024
Please explain other loss or default protections:

PFMI: Q.4.3.3
AGC: 79a

see answer 114

134 G05Q025
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?

PFMI: Q.4.3.3
AGC: 66q.

Not applicable [A03]

135 G05Q026
If yes, please check all of the following that apply:

PFMI: Q.4.3.3
AGC: 66r.

- Financial limits are imposed on the amount of liability assumed by the CSD
- The CSD assumes liability for direct losses
- The CSD assumes liability for indirect or consequential losses
- OTHER:

136 G05Q027
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?

PFMI: Q.4.3.4
AGC: n/a

see answer 129

137 G05Q028

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?

PFMI: Q.4.7.1

AGC: n/a

CKDD 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.

138 G05Q029

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

PFMI: Q.4.7.2

AGC: n/a

CKDD 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 CKDD hold on the CKDD 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 CKDD. (Up to the amount of the Guarantee Fund), CKDD 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, CKDD will automatically carry out the recalculation of the transactions settle by BIS model 2 (according to proscribed conditions). CKDD 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.

139 G05Q030

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Collateral (PFMI Principle 5)

140 G06Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P5

AGC: 35c

141 G06Q002

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?

PFMI: Q.5.1.1
AGC: n/a

Not applicable.

142 G06Q003

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

PFMI: Q.5.1.2
AGC: n/a

n/a

143 G06Q004

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

PFMI: Q.5.1.3
AGC: n/a

n/a

144 G06Q005

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

PFMI: Q.5.2.1
AGC: n/a

n/a

145 G06Q006

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

PFMI: Q.5.2.2
AGC: n/a

n/a

146 G06Q007

How does the CSD determine haircuts?

PFMI: Q.5.2.3
AGC: n/a

n/a

147 G06Q008

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?

PFMI: Q.5.2.4

AGC: n/a

n/a

148 G06Q009

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?

PFMI: Q.5.3.1

AGC: n/a

n/a

149 G06Q010

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?

PFMI: Q.5.4.1

AGC: n/a

n/a

150 G06Q011

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?

PFMI: Q.5.4.2

AGC: n/a

n/a

151 G06Q012

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?

PFMI: Q.5.5.1

AGC: n/a

n/a

152 G06Q013

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

PFMI: Q.5.5.2

AGC: n/a

n/a

153 G06Q014

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

PFMI: Q.5.6.1

AGC: n/a

n/a

154 G06Q015

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

PFMI: Q.5.6.2

AGC: n/a

n/a

155 G06Q016

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

PFMI: Q.5.6.3

AGC: n/a

n/a

156 G06Q017

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

PFMI: Q.5.6.4

AGC: n/a

n/a

157 G06Q018

filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Liquidity risk (PFMI Principle 7)

158 G07Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P7
AGC: n/a

159 G07Q002

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?

PFMI: Q.7.1.1
AGC: n/a

Up to the amount of the Guarantee Fund, CKDD 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. CKDD 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 CKDD is not exposed to liquidity risk. CKDD 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 CKDD business.

160 G07Q003

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?

PFMI: Q.7.1.2
AGC: n/a

CKDD 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.

161 G07Q004

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?

PFMI: Q.7.1.3
AGC: n/a

see answers 159 and 160

162 G07Q005

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

PFMI: Q.7.2.1

AGC: n/a

CKDD 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.

163 G07Q006

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?

PFMI: Q.7.2.2

AGC: n/a

CKDD 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.

164 G07Q007

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?

PFMI: Q.7.3.1

AGC: n/a

CKDD cash pool account (which is used for settlement) is open with Central Bank of Montenegro (CBM) and CKDD is RTGS member. CKDD 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, CKDD uses Guarantee fund which is also deposited on CKDD cash pool account with CBM and promptly available.

165 G07Q008

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

PFMI: Q.7.3.2

AGC: n/a

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

166 G07Q009

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?

PFMI: Q.7.4.1

AGC: n/a

n/a

167 G07Q010

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?

PFMI: Q.7.4.2

AGC: n/a

n/a

168 G07Q011

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?

PFMI: Q.7.4.3

AGC: n/a

n/a

169 G07Q012

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?

PFMI: Q.7.4.4

AGC: n/a

n/a

170 G07Q013

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?

PFMI: Q.7.5.1

AGC: n/a

Guarantee fund current amount, immediately available

171 G07Q014

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?

PFMI: Q.7.5.2

AGC: n/a

n/a

172 G07Q015

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?

PFMI: Q.7.5.3

AGC: n/a

n/a

173 G07Q016

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?

PFMI: Q.7.5.4

AGC: n/a

Guarantee fund current amount

174 G07Q017

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

PFMI: Q.7.6.1

AGC: n/a

n/a

175 G07Q018

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?

PFMI: Q.7.6.2

AGC: n/a

n/a

176 G07Q019

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

PFMI: Q.7.6.3

AGC: n/a

n/a

177 G07Q020

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

PFMI: Q.7.6.4

AGC: n/a

n/a

178 G07Q021

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)?

PFMI: Q.7.6.5

AGC: n/a

n/a

179 G07Q022

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?

PFMI: Q.7.7.1

AGC: n/a

n/a

180 G07Q023

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?

PFMI: Q.7.7.2

AGC: n/a

n/a

181 G07Q024

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

PFMI: Q.7.7.3

AGC: n/a

n/a

182 G07Q025

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

PFMI: Q.7.7.4

AGC: n/a

n/a

183 G07Q026

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?

PFMI: Q.7.8.1

AGC: n/a

CKDD 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.

184 G07Q027

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?

PFMI: Q.7.8.2

AGC: n/a

n/a

185 G07Q028

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?

PFMI: Q.7.8.3

AGC: n/a

n/a

186 G07Q029

What, if any, practical or other considerations to expanding its use of relevant central bank services

have been identified by the CSD?

PFMI: Q.7.8.4
AGC: n/a

not identified

187 G07Q030

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?

PFMI: Q.7.9.1
AGC: n/a

n/a

188 G07Q031

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?

PFMI: Q.7.9.2
AGC: n/a

n/a

189 G07Q032

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?

PFMI: Q.7.9.3
AGC: n/a

n/a

190 G07Q033

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?

PFMI: Q.7.9.4
AGC: n/a

n/a

191 G07Q034

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?

PFMI: Q.7.9.5

AGC: n/a

n/a

192 G07Q035

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?

PFMI: Q.7.9.6

AGC: n/a

n/a

193 G07Q036

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

PFMI: Q.7.9.7

AGC: n/a

n/a

194 G07Q037

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?

PFMI: Q.7.9.8

AGC: n/a

n/a

195 G07Q038

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?

PFMI: Q.7.10.1

AGC: n/a

In the case of failed settlement, CKDD has established the following procedures: (1) if failed transaction is classified for settlement by BIS model 2, CKDD activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CKDD 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 CKDD 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, CKDD 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).

196 G07Q039

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?

PFMI: Q.7.10.2

AGC: n/a

see answer 195

197 G07Q040

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

PFMI: Q.7.10.3

AGC: n/a

see answer 195

198 G06Q041

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Settlement finality (PFMI Principle 8)

199 G08Q015

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

200 G08Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P8
AGC: n/a

201 G08Q002

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?

PFMI: Q.8.1.1
AGC: n/a

Settlement is final according to Capital Market Law and CKDD rules, which means that Settlement Finality Act have practically implemented in the Montenegro legal system. Extract from CKDD 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 CKDD Rules and are available to members of the CKDD and the public on www.ckdd.me.

202 G08Q003

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?

PFMI: Q.8.1.2
AGC: n/a

Withdrawal from obligations of settlement of cash funds and financial instruments is defined in CKDD Rules in way as soon as the CKDD receives notification from the relevant court on initiating insolvency proceedings against participant member, the CKDD 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, CKDD activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CKDD 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 CKDD 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, CKDD 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).

203 G08Q004

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)?

PFMI: Q.8.1.3
AGC: n/a

CKDD doing business only in Montenegro jurisdiction.

204 G08Q005

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?

PFMI: Q.8.1.4

AGC: n/a

CKDD has not any link with other CSD.

205 G08Q006

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?

PFMI: Q.8.2.1

AGC: n/a

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

206 G08Q007

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?

PFMI: Q.8.2.2

AGC: n/a

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

207 G08Q008

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

PFMI: Q.8.2.3

AGC: n/a

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.

208 G08Q009

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?

PFMI: Q.8.2.4

AGC: n/a

CKDD 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 CKDD activates Guarantee fund if it is necessary.

209 G08Q010

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

PFMI: Q.8.2.5

AGC: n/a

n/a

210 G08Q011

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?

PFMI: Q.8.3.1

AGC: n/a

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

211 G08Q012

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?

PFMI: Q.8.3.2

AGC: n/a

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

212 G08Q013

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

PFMI: Q.8.3.3

AGC: n/a

none.

213 G08Q014

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

PFMI: Q.8.3.4

AGC: n/a

CKDD Rules - Default Procedures.

Money settlements (PFMI Principle 9)

214 G09Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P9

AGC: n/a

215 G09Q002

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?

PFMI: Q.9.1.1

AGC: n/a

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

216 G09Q003

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

PFMI: Q.9.1.1

AGC: 31

- CSD
- Central Bank
- Banks appointed by CSD
- Neither or others (e.g. credit lines used)
- Not applicable
- OTHER:

217 G09Q004

Please indicate the name of the banks appointed by the CSD

PFMI: Q.9.1.1

AGC: 31a

218 G09Q005

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

PFMI: Q.9.1.1

AGC: 32

- CSD
- Central Bank
- Banks appointed by the CSD
- Neither or others (e.g. credit lines used)
- Not applicable
- OTHER:

219 G09Q006
Please name banks appointed by the CSD

PFMI: Q.9.1.1
AGC: 32a

220 G09Q007
Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)?

PFMI: Q.9.1.1
AGC: 33, 33b

- CSD
- Central Bank
- Banks appointed by CSD
- Neither or others (e.g. credit lines used)
- Not applicable
- OTHER:

221 G09Q008
Please name banks appointed by the CSD

PFMI: Q.9.1.1
AGC: 33a

n/a

222 G09Q009
Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)?

PFMI: Q.9.1.1
AGC: 34

- CSD
- Central Bank
- Banks appointed by CSD

- Neither or others (e.g. credit lines used)
- Not applicable
- OTHER:

223 G09Q010

Please name banks appointed by CSD

PFMI: Q.9.1.1

AGC: 34a

n/a

224 G09Q011

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

PFMI: Q.9.1.2

AGC: n/a

n/a

225 G09Q012

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?

PFMI: Q.9.2.1

AGC: n/a

n/a

226 G09Q013

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?

PFMI: Q.9.2.2

AGC: n/a

n/a

227 G09Q014

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?

PFMI: Q.9.3.1

AGC: n/a

n/a

228 G09Q015

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?

PFMI: Q.9.3.2
AGC: n/a

n/a

229 G09Q016

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?

PFMI: Q.9.3.3
AGC: n/a

n/a

230 G09Q017

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

PFMI: Q.9.4.1
AGC: n/a

n/a

231 G09Q018

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?

PFMI: Q.9.5.1
AGC: n/a

n/a

232 G09Q019

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

PFMI: Q.9.5.2
AGC: n/a

n/a

233 G09Q020

filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Physical deliveries (PFMI Principle 10)

234 G10Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P10

AGC: n/a

235 G10Q002

Which asset classes does the CSD accept for physical delivery?

PFMI: Q.10.1.1

AGC: n/a

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

236 G10Q003

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?

PFMI: Q.10.1.2

AGC: n/a

n/a

237 G10Q004

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

PFMI: Q.10.1.3

AGC: n/a

n/a

238 G10Q005

How are eligible securities lodged in the CSD system?

PFMI: Q.10.1.3

AGC: 57, 57a

- A registered certificate in the name of the CSD is delivered to the CSD.
- A participant delivers the security with a valid transfer deed or stock power or other transfer

document to the CSD which then effects registration.

- A registrar re-registers the security in the name of the CSD.
- Not applicable
- OTHER:

239 G10Q006

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

PFMI: Q.10.1.3

AGC: 58, 58a

- Securities are reflected in the participant's CSD account immediately upon delivery to the CSD.
- Securities are re-registered prior to being reflected in the participant CSD account.
- Not applicable
- OTHER:

240 G10Q007

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

PFMI: Q.10.1.3

AGC: 59, 59b

Not applicable [A05]

241 G10Q008

Please specify

PFMI: Q.10.1.3

AGC: 59a

242 G10Q009

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

PFMI: Q.10.1.3

AGC: 60

Not applicable [A03]

243 G10Q010

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

PFMI: Q.10.1.3

AGC: 60a

Not applicable [A03]

244 G10Q011

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

PFMI: Q.10.1.3
AGC: 60b

Not applicable [A03]

245 G10Q012
If they cannot be traded, or if you answered other, please explain

PFMI: Q.10.1.3
AGC: 60c

246 G10Q013
If they cannot be settled, or if you answered other, please explain

PFMI: Q.10.1.3
AGC: 60d

247 G10Q014
If ownership cannot be transferred, or if you answered other, please explain

PFMI: Q.10.1.3
AGC: 60e

248 G10Q015
Are securities immediately available for delivery upon transfer to the CSD?

PFMI: Q.10.1.3
AGC: 61, 61d

Not applicable [A03]

249 G10Q016
If no: Securities are unavailable for

PFMI: Q.10.1.3
AGC: 61a

250 G10Q017
If more than 4 weeks, please specify

PFMI: Q.10.1.3
AGC: 61b

251 G10Q018
If not applicable, please explain

PFMI: Q.10.1.3
AGC: 61c

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

252 G10Q019

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

PFMI: Q.10.1.3

AGC: 63, 63a

Not applicable [A05]

253 G10Q020

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

PFMI: Q.10.1.3

AGC: 64, 64b

Not applicable [A05]

254 G10Q021

If more than 4 weeks, please specify

PFMI: Q.10.1.3

AGC: 64a

255 G10Q022

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

PFMI: Q.10.1.3

AGC: 65a

Not applicable [A02]

256 G10Q023

If they cannot be traded please explain

PFMI: Q.10.1.3

AGC: 65b

257 G10Q024

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

PFMI: Q.10.1.3

AGC: 65c

Not applicable [A02]

258 G10Q025

If they cannot be settled, please explain

PFMI: Q.10.1.3

AGC: 65d

259 G10Q026

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

PFMI: Q.10.1.3

AGC: 65e

Not applicable [A02]

260 G10Q027

If ownership cannot be transferred, please explain

PFMI: Q.10.1.3

AGC: 65f

261 G10Q028

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?

PFMI: Q.10.2.1

AGC: n/a

n/a

262 G10Q029

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

PFMI: Q.10.2.1

AGC: 75

- Not applicable, no vault is maintained
- Electronic keys or combinations
- Dual access control
- Visitor logs
- Vault counts
- Intrusion alarms
- Fire alarms
- Guards
- OTHER:

263 G10Q030

Please indicate frequency of vault counts:

PFMI: Q.10.2.1

AGC: 75a.

264 G10Q031
Please explain:

PFMI: Q.10.2.1
AGC: 75b

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

265 G10Q032

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?

PFMI: Q.10.2.2
AGC: n/a

n/a

266 G10Q033

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?

PFMI: Q.10.2.3
AGC: n/a

n/a

267 G10Q034

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?

PFMI: Q.10.2.4
AGC: n/a

n/a

268 G10Q035

filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Central Securities Depositories (PFMI Principle 11)

269 G11Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P11

AGC: n/a

270 G11Q002

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?

PFMI: n/a

AGC: 26

- Government securities
- Equities
- Corporate bonds
- Corporate money market
- Not applicable
- OTHER: Municipal bonds, Treasury bills

271 G11Q003

Please name the other security types:

PFMI: n/a

AGC: 26a.

Municipal bonds, Treasury bills

272 G11Q004

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).

PFMI: n/a

AGC: 27, 27c

- Yes by law for settlement of all instrument types
- Yes by law for safekeeping of all instrument types
- Yes by market practice for settlement of all instrument types
- Yes by market practice for safekeeping of all instrument types
- Yes by law for settlement, but not for all instrument types

- Yes by law for safekeeping, but not for all instrument type
- Yes by market practice for settlement, but not for all instrument types
- Yes by market practice for safekeeping, but not for all instrument types
- Neither
- OTHER:

273 G11Q005

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

PFMI: n/a

AGC: 27a. (i)

money market instruments and UCITS

274 G11Q006

(ii) safekeep in your CSD:

PFMI: n/a

AGC: 27a. (ii)

money market instruments and UCITS

275 G11Q007

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

PFMI: n/a

AGC: 27b. (i)

none

276 G11Q008

(ii) safekeep in your CSD:

PFMI: n/a

AGC: 27b. (ii)

none

277 G11Q009

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.

PFMI: n/a

AGC: 28 28a

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

278 G11Q010

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

PFMI: n/a
AGC: 28b.

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

279 G11Q011

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

PFMI: Q.11.1.1
AGC: n/a

Capital Market Law and other regulations in the Montenegro, the Rules and Procedures of the CKDD, 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.

280 G11Q012

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?

PFMI: Q.11.1.1
AGC: 44a

Yes [A01]

281 G11Q013

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:

PFMI: Q.11.1.1
AGC: 44b

CKDD 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.

282 G11Q014

By the intervening authorities controlling insolvency or other proceedings?

PFMI: Q.11.1.1
AGC: 44d.

No [A02]

283 G11Q015

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

PFMI: Q.11.1.1

AGC: 44e.

284 G11Q016

By the participant's creditors?

PFMI: Q.11.1.1

AGC: 44g, 44i

No [A02]

285 G11Q017

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

PFMI: Q.11.1.1

AGC: 44h

286 G11Q018

By the CSD's creditors?

PFMI: Q.11.1.1

AGC: 44j.

No [A02]

287 G11Q019

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

PFMI: Q.11.1.1

AGC: 44k.

288 G11Q020

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

PFMI: Q.11.1.1

AGC: 47, 47a

Other: permanently

289 G11Q021

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

PFMI: Q.11.1.1

AGC: 54

Yes [A01]

290 G11Q022

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.)

PFMI: Q.11.1.1

AGC: 55

No [A02]

291 G11Q023

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

PFMI: Q.11.1.1

AGC: 55a

- Fees and expenses
- Collateralization of overdrafts
- To secure payment for purchased securities
- OTHER:

292 G11Q024

Please describe:

PFMI: Q.11.1.1

AGC: 55b

not allowed by law

293 G11Q025

Please indicate the limits of this lien as indicated below:

PFMI: Q.11.1.1

AGC: 55c

Other: n/a

294 G11Q026

Please explain:

PFMI: Q.11.1.1

AGC: 55d

295 G11Q027

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?

PFMI: Q.11.1.1

AGC: 55e

Other: n/a

296 G11Q028

If yes, please indicate whether:

PFMI: Q.11.1.1

AGC: 55f

297 G11Q029

Please explain:

PFMI: Q.11.1.1

AGC: 55g

n/a

298 G11Q030

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

PFMI: Q.11.1.1

AGC: 55h

299 G11Q031

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?

PFMI: Q.11.1.1

AGC: 55j

Yes [A01]

300 G11Q032

If yes, are the restrictions accomplished by:

PFMI: Q.11.1.1

AGC: 55k

Contract between the CSD and the participant [A01]

301 G11Q033

Please explain:

PFMI: Q.11.1.1

AGC: 55l

302 G11Q034

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

PFMI: Q.11.1.1

AGC: 56, 56e

Yes [A01]

303 G11Q035

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

PFMI: Q.11.1.1

AGC: 56a

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

304 G11Q036

Please describe:

PFMI: Q.11.1.1

AGC: 56b

during the settlement process

305 G11Q037

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

PFMI: Q.11.1.1

AGC: 56c

On the CSD books [A01]

306 G11Q038

Please describe:

PFMI: Q.11.1.1

AGC: 56d

307 G11Q039

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?

PFMI: Q.11.1.2

AGC: n/a

proscribed by Capital Market Law 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 CKDD.

308 G11Q040

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

PFMI: Q.11.1.2

AGC: 45

- Computer file
- Microfiche
- Hard copy
- Computer tape
- OTHER:

309 G11Q041
In which format is the source data maintained?

PFMI: Q.11.1.2
AGC: 45b

Microsoft SQL server and Oracle

310 G11Q042
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?

PFMI: Q.11.1.3
AGC: n/a

Testing of internal controls is carried out continuously with periodic control by Montenegro Capital Market Authority.

311 G11Q043
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?

PFMI: Q.11.1.4
AGC: n/a

Rules and Procedures of the CKDD 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.

312 G11Q044
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?

PFMI: Q.11.1.5
AGC: n/a

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.

313 G11Q045

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?

PFMI: Q.11.1.6

AGC: n/a

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

314 G11Q046

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:

PFMI: Q.11.1.6

AGC: 52i

written confirmation of position at registrar by legal authorized person

315 G11Q047

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

PFMI: Q.11.2.1

AGC: n/a

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

316 G11Q048

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?

PFMI: Q.11.3.1

AGC: n/a

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

317 G11Q049

How are CSD eligible securities held by the CSD?

PFMI: Q.11.3.1

AGC: 50, 50a

- In dematerialized form
- In certificated form
- OTHER:

318 G11Q050

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?

PFMI: Q.11.3.2

AGC: n/a

n/a, 0 %

319 G11Q051

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

PFMI: Q.11.3.2

AGC: 51

Not applicable [A05]

320 G11Q052

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

PFMI: Q.11.3.2

AGC: 51a

321 G11Q053

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)

PFMI: Q.11.3.2

AGC: 51b

322 G11Q054

Are these certificates:

PFMI: Q.11.3.2

AGC: 51c

- Bearer
- Registered
- OTHER:n/a

323 G11Q055

If registered, how are the CSD eligible securities registered?

PFMI: Q.11.3.2

AGC: 51d

- In the name of the CSD

- In the name of the depositing participant or its nominee
- In the name of a separate nominee of the CSD
- OTHER:

324 G11Q056

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

PFMI: Q.11.3.2

AGC: 51f

325 G11Q057

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

PFMI: Q.11.3.2

AGC: 51h

326 G11Q058

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

PFMI: Q.11.3.2

AGC: 51i

327 G11Q059

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

PFMI: Q.11.3.2

AGC: 52

No [A02]

328 G11Q060

Are the securities held:

PFMI: Q.11.3.2

AGC: 52a, 52k

- Through book-entry at the CSD
- Through book-entry at a registrar or issuer
- OTHER:

329 G11Q061

Please identify which types of entities may act as registrars:

PFMI: Q.11.3.2

AGC: 52b

- Issuers
- Separate companies that perform registrar functions
- CSD
- OTHER:

330 G11Q062

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?

PFMI: Q.11.3.2

AGC: 52d

Yes [A01]

331 G11Q063

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

PFMI: Q.11.3.2

AGC: 52e

In the name of the CSD [A01]

332 G11Q064

Please describe:

PFMI: Q.11.3.2

AGC: 52f

333 G11Q065

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:

PFMI: Q.11.3.2

AGC: 52g

334 G11Q066

Please describe:

PFMI: Q.11.3.2

AGC: 52h

335 G11Q067

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

PFMI: Q.11.3.3

AGC: n/a

prescribed by the Capital Market Law

336 G11Q068

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?

PFMI: Q.11.4.1

AGC: n/a

Rules and Procedures of the CKDD 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.

337 G11Q069

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?

PFMI: Q.11.4.1

AGC: 66, 66a, 66d

No [A01]

338 G11Q070

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

PFMI: Q.11.4.1

AGC: 66b 66c

- Financial limits are imposed on the amount of liability assumed by the CSD
- The CSD assumes liability for direct losses
- The CSD assumes liability for indirect or consequential losses
- OTHER:

339 G11Q071

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?

PFMI: Q.11.4.1

AGC: 66e, 66g, 66h

No [A01]

340 G11Q072

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

PFMI: Q.11.4.1

AGC: 66f

- Financial limits are imposed on the amount of liability assumed by the CSD

- The CSD assumes liability for direct losses
- The CSD assumes liability for indirect or consequential losses
- OTHER:

341 G11Q073

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

PFMI: Q.11.4.1
AGC: 66i, 66l.

Yes [A02]

342 G11Q074

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

PFMI: Q.11.4.1
AGC: 66j, 66k

- Financial limits are imposed on the amount of liability assumed by the CSD
- The CSD assumes liability for direct losses
- The CSD assumes liability for indirect or consequential losses
- OTHER:

343 G11Q075

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

PFMI: Q.11.4.1
AGC: 66m, 66p.

- Yes
- No
- Not applicable
- OTHER:

344 G11Q076

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

PFMI: Q.11.4.1
AGC: 66n.

- Financial limits are imposed on the amount of liability assumed by the CSD
- The CSD assumes liability for direct losses
- The CSD assumes liability for indirect or consequential losses
- OTHER:

345 G11Q077
How has the CSD determined that those rules and procedures are consistent with the legal framework?

PFMI: Q.11.4.2
AGC: n/a

by regulator approval

346 G11Q078
Is the CSD immune from legal action in its own jurisdiction?

PFMI: Q.11.4.2
AGC: 68

No [A02]

347 G11Q079
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)?

PFMI: Q.11.4.3
AGC: n/a

n/a

348 G11Q080
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)?

PFMI: Q.11.4.3
AGC: 92

Not applicable [A03]

349 G11Q081
What is the amount of the coverage?

PFMI: Q.11.4.3
AGC: 92a.

350 G11Q082
What is the amount of the deductible?

PFMI: Q.11.4.3
AGC: 92b.

n/a

351 G11Q083
Does the CSD have insurance for Operational Errors?

PFMI: Q.11.4.3
AGC: 93

No [A02]

352 G11Q084
What is the amount of the coverage?

PFMI: Q.11.4.3
AGC: 93a.

353 G11Q085
What is the amount of the deductible?

PFMI: Q.11.4.3
AGC: 93b.

n/a

354 G11Q086
Does the CSD have Errors and Omissions insurance?

PFMI: Q.11.4.3
AGC: 94

No [A02]

355 G11Q087
What is the amount of the coverage?

PFMI: Q.11.4.3
AGC: 94a.

356 G11Q088
What is the amount of the deductible?

PFMI: Q.11.4.3
AGC: 94b.

n/a

357 G11Q089
Does the CSD have insurance for the Premises?

PFMI: Q.11.4.3
AGC: 95

Other: CKDD does not have its own premises (operating in rented space)

358 G11Q090
What is the amount of the coverage?

PFMI: Q.11.4.3
AGC: 95a.

359 G11Q091
What is the amount of the deductible?

PFMI: Q.11.4.3
AGC: 95b.

n/a

360 G11Q092
Does the CSD have any other insurance?

PFMI: Q.11.4.3
AGC: 96, 96d

Other: compulsory insurance of employees

361 G11Q093
If so, what is it for?

PFMI: Q.11.4.3
AGC: 96a.

362 G11Q094
What is the amount of the coverage?

PFMI: Q.11.4.3
AGC: 96b.

prescribed by relevant national law

363 G11Q095
What is the amount of the deductible?

PFMI: Q.11.4.3
AGC: 96c.

364 G11Q096
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.

PFMI: Q.11.4.3
AGC: 97

Sava Montenegro Podgorica

365 G11Q097

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

PFMI: Q.11.4.3

AGC: 97a.

Member of Sava Re Group Slovenia

366 G11Q098

What is the term of the policy?

PFMI: Q.11.4.3

AGC: 97b.

Per 1 year, renewed annually.

367 G11Q099

Who does the insurance cover?

PFMI: Q.11.4.3

AGC: 97c, 97d

- CSD
- Direct CSD participants
- Final investors
- Not applicable
- OTHER:

368 G11Q100

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:

PFMI: Q.11.4.3

AGC: 98

369 G11Q101

filecount - Upload document here:

PFMI: Q.11.4.3

AGC: 98a.

0

370 G11Q102

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?

PFMI: Q.11.4.3

AGC: 67a, 67b.

- Yes
- No
- Not applicable
- OTHER: Standard membership contract, CKDD rules

371 G11Q103

Please explain (then please answer 67c):

PFMI: Q.11.4.3

AGC: 67b.

Standard membership contract determined by CKDD rules

372 G11Q104

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

PFMI: Q.11.4.3

AGC: 67c.

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

373 G11Q105

Insurance

PFMI: Q.11.4.3

AGC: 67d.

- Yes
- No
- Not applicable
- OTHER:

374 G11Q106

Please explain (then please answer 67f):

PFMI: Q.11.4.3

AGC: 67e.

375 G11Q107

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

PFMI: Q.11.4.3

AGC: 67f.

376 G11Q108

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

PFMI: Q.11.4.3

AGC: 67g.

Yes [A01]

377 G11Q109

Please explain (then please answer 67i):

PFMI: Q.11.4.3

AGC: 67h.

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

378 G11Q110

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

PFMI: Q.11.4.3

AGC: 67i.

CKDD Rules (www.ckdd.me)

379 G11Q111

Other

PFMI: Q.11.4.3

AGC: 67j.

No [N]

380 G11Q112

Please explain (then please answer 67l):

PFMI: Q.11.4.3

AGC: 67k.

381 G11Q113

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

PFMI: Q.11.4.3

AGC: 67l.

n/a

382 G11Q114

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?

PFMI: Q.11.5.1
AGC: n/a

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

383 G11Q115

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

PFMI: Q.11.5.1
AGC: 41

Yes [A01]

384 G11Q116

If yes, please indicate number:

PFMI: Q.11.5.1
AGC: 41a, 41c

- An unlimited number of accounts
- More than one account
- OTHER:

385 G11Q117

If more than one account what is the maximum?

PFMI: Q.11.5.1
AGC: 41b

386 G11Q118

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?

PFMI: Q.11.5.2
AGC: n/a

CKDD 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).

387 G11Q119

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

PFMI: Q.11.5.2

AGC: 42

- Yes
- No
- Not applicable
- OTHER:

388 G11Q120

If yes, is segregation required or simply permitted?

PFMI: Q.11.5.2

AGC: 42a

Required [A01]

389 G11Q121

How does segregation occur?

PFMI: Q.11.5.2

AGC: 42b, 42c

- By separately designated participant accounts.
- By sub-accounts within a single participant account.
- By separately designated beneficial owner accounts.
- OTHER:

390 G11Q122

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

PFMI: Q.11.5.2

AGC: 43, 43b

Yes [A01]

391 G11Q123

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

PFMI: Q.11.5.2

AGC: 43a

Yes [Y]

392 G11Q124

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

PFMI: Q.11.5.2

AGC: 53, 53a

- Yes
- No
- Not applicable
- OTHER:

393 G11Q125
Does the CSD provide services other than central safekeeping and administration of securities and settlement? If so, what services?

PFMI: Q.11.6.1
AGC: n/a

yes, defined by Capital Market Law

394 G11Q126
Please indicate services you provide.

PFMI: Q.11.6.1
AGC: 35

- Own list or: AGC: Information in advance on corporate (annual or special) meetings in order that owners can vote.
- Tax assistance where foreign holders may be entitled to tax relief at source or through a claim.
- In order to avoid fails, an automatic securities lending facility - if requested - is provided for.
- Collateral handling in support of activities including securities lending, overdraft coverage, cash management, repurchase agreements, etc.
- Same day turnaround settlements.
- Information on distribution of new issues (IPO, Privatization).
- Not applicable
- OTHER: defined by Capital Market Law

395 G11Q127
Automatic securities lending facility is provided for:

PFMI: Q.11.6.1
AGC: 35a

- Brokers
- Banks
- Other financial institutions
- OTHER:

396 G11Q128
If collateral handling, please provide details

PFMI: Q.11.6.1
AGC: 35c

397 G11Q129
Other, please explain:

PFMI: Q.11.6.1
AGC: 35d

The activities of CKDD are defined by Montenegro Capital Market as follows: (1) registration and safekeeping of dematerialized securities (including determination of ISIN, CFI & FISN 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).

398 G11Q130
What procedures are in place for the processing of corporate action entitlements?

PFMI: Q.11.6.1
AGC: 36

- Credited to the securities account on the day indicated below regardless of whether actually collected by the CSD on the scheduled date.
- Credited to the securities account upon actual receipt by the CSD.
- Corporate action entitlements are handled by an entity separate from the CSD.
- Not applicable
- OTHER:

399 G11Q131
Credited to the securities account:

PFMI: Q.11.6.1
AGC: 36a

- On pay date.
- On pay date +1.
- On pay date +2.
- OTHER:

400 G11Q132
Name of entity:

PFMI: Q.11.6.1
AGC: 36c

401 G11Q133

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

PFMI: Q.11.6.1

AGC: 37, 37d.

- Credited to the cash account on the day indicated below regardless of whether actually collected by the CSD on the scheduled date.
- Credited to the cash account upon actual receipt by the CSD.
- Income and dividend collection is handled by an entity separate from the CSD.
- Not applicable
- OTHER: Cash payments are processed by the issuers or their agents (commercial banks).

402 G11Q134

Credited to the cash account:

PFMI: Q.11.6.1

AGC: 37a

- On pay date.
- On pay date +1.
- On pay date +2.
- OTHER:

403 G11Q135

Name of entity:

PFMI: Q.11.6.1

AGC: 37c

404 G11Q136

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?

PFMI: Q.11.6.2

AGC: n/a

Other activities (preparing and issuing the adequate reports for issuers, shareholders and other interested subjects, processing the corporate actions without cash payment, take over bids provided by CKDD) are low risk or zero risk activities

405 G11Q137

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

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

406 G12Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P12

AGC: n/a

407 G12Q002

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?

PFMI: Q.12.1.1

AGC: n/a

CKDD 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 CKDD 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 CKDD. Market transactions can be primary sales transactions (IPO) and secondary trading of securities. CKDD divide market transactions on accepted and unaccepted. CKDD 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 CKDD treated as unaccepted transactions and does not include them in the process of clearing and settlement. IPO transactions CKDD treats separately in accordance with current legislation and in accordance with the Guidelines. CKDD 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.

408 G12Q003

Does the CSD guaranty settlement?

PFMI: Q.12.1.1

AGC: 66u.

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

409 G12Q004

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

PFMI: Q.12.1.1

AGC: 66v.

410 G12Q005

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

PFMI: Q.12.1.2

AGC: n/a

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)

411 G12Q006

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.

PFMI: Q.12.1.2

AGC: 48

- Model1
- Model2
- Model3
- Not applicable
- OTHER:

412 G12Q007

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

PFMI: Q.12.1.3

AGC: 48a

CKDD 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.

4 13 G12Q008
Is the finality of settlement of linked obligations simultaneous?

PFMI: Q.12.1.3
AGC: n/a

No [N]

4 14 G12Q009
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?

PFMI: Q.12.1.3
AGC: n/a

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.

4 15 G12Q010
Are the cash and security movements simultaneous?

PFMI: Q.12.1.3
AGC: 49

No [A02]

4 16 G12Q011
If cash and security movements are not simultaneous, please indicate the duration of the timing gap

PFMI: Q.12.1.3
AGC: 49a

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

4 17 G12Q012
filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Participant default rules and procedures (PFMI Principle 13)

4 18 G13Q001
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.)

PFMI: Annex A - CSD disclosure template - IV.P13
AGC: n/a

419 G13Q002

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?

PFMI: Q.13.1.1
AGC: n/a

CKDD 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 CKDD 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

420 G13Q003

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?

PFMI: Q.13.1.2
AGC: n/a

(1) if failed transaction is classified for settlement by BIS model 2, CKDD activates Guarantee fund and execute settlement on T+2. The "default" Participant shall be obliged to return to the Guarantee Fund the amount that CKDD 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 CKDD 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, CKDD 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). The other mechanism is civil action in court.

421 G13Q004

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

PFMI: Q.13.1.2
AGC: 77

No [A02]

422 G13Q005

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

PFMI: Q.13.1.2

AGC: 77a

423 G13Q006

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

PFMI: Q.13.1.2

AGC: 80

- Margin requirements for stock exchange members
- Guaranty fund for stock exchange members
- Financial requirements for stock exchange membership
- No
- Not applicable
- OTHER:

424 G13Q007

Please explain:

PFMI: Q.13.1.2

AGC: 80a

n/a

425 G13Q008

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?

PFMI: Q.13.1.3

AGC: n/a

Guarantee Fund assets are located on the CKDD cash pool account (opened with Central Bank Montenegro, as sub account of CKDD 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).

426 G13Q009

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

PFMI: Q.13.1.4

AGC: n/a

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.

427 G13Q010

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

PFMI: Q.13.1.4

AGC: 76, 76d

- CSD insurance covers the loss
- The CSD guaranty fund covers the loss
- Loss is shared among participants
- Not applicable
- OTHER:

428 G13Q011

Please explain the process:

PFMI: Q.13.1.4

AGC: 76a

429 G13Q012

Please explain the process of how the loss is shared:

PFMI: Q.13.1.4

AGC: 76b

430 G13Q013

Please explain:

PFMI: Q.13.1.4

AGC: 76d

Guarantee Fund assets are located on the CKDD cash pool account (opened with Central Bank Montenegro, as sub account of CKDD 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).

431 G13Q014

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

PFMI: Q.13.1.5

AGC: n/a

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.

432 G13Q015

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

PFMI: Q.13.2.1

AGC: n/a

No.

433 G13Q016

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?

PFMI: Q.13.2.2

AGC: n/a

through system messages, written correspondence and through the website

434 G13Q017

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

PFMI: Q.13.2.3

AGC: n/a

n/a

435 G13Q018

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?

PFMI: Q.13.3.1

AGC: n/a

CKDD rules (with detailed Default Procedures) are publicly available on www.cda.me, as well as all until now imposed sentences to Participants.

436 G13Q019

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?

PFMI: Q.13.4.1
AGC: n/a

n/a

437 G13Q020
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?

PFMI: Q.13.4.2
AGC: n/a

n/a

438 G13Q021
filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

General business risk (PFMI Principle 15)

439 G14Q001
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.)

PFMI: Annex A - CSD disclosure template - IV.P15
AGC: n/a

440 G14Q002
Is a financial audit performed by an Audit Firm, Regulatory Authority, or other external party?

PFMI: Q.17.2.3
AGC: 15

Yes [Y]

441 G14Q003
If yes, please state the name(s) of the entity(ies) who perform the financial audit.

PFMI: n/a
AGC: 15a.

„BDO” d.o.o. Podgorica

442 G14Q004

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

PFMI: n/a

AGC: 15b.

20/03/2019

443 G14Q005

Please list the period that the audit covered:

PFMI: n/a

AGC: 15c.

Start date: 01/01/2018

End date: 31/12/2018

444 G14Q006

How frequently does the financial audit occur?

PFMI: n/a

AGC: 15d.

Annually [A02]

445 G14Q007

If less than annually, please explain:

PFMI: n/a

AGC: 15e.

446 G14Q008

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

PFMI: n/a

AGC: 15g.

No material exceptions found. [A01]

447 G14Q009

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

PFMI: n/a

AGC: 15h.

448 G14Q010

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

PFMI: n/a

AGC: 86

No [A02]

449 G14Q011

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

PFMI: n/a
AGC: 86a.

450 G14Q012

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

PFMI: n/a
AGC: 87

No [A02]

451 G14Q013

Please explain the circumstances and resolution:

PFMI: n/a
AGC: 87a.

452 G14Q014

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

PFMI: n/a
AGC: 88, 88a

Yes for all three years [A01]

453 G14Q015

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

PFMI: n/a
AGC: 30, 30m

No [A02]

454 G14Q016

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.

PFMI: n/a
AGC: 30a, 30j

- Corporate Action
- Settlement Process - Securities
- Settlement Process - Cash

System Outage

OTHER:

455 G14Q017
Corporate Action. Please specify number of instances:

PFMI: n/a
AGC: 30b.

456 G14Q018
Corporate Action. Please specify total loss in USD:

PFMI: n/a
AGC: 30c.

-

457 G14Q019
Settlement Process - Securities. Please specify number of instances:

PFMI: n/a
AGC: 30d.

458 G14Q020
Settlement Process - Securities. Please specify total loss in USD:

PFMI: n/a
AGC: 30e.

-

459 G14Q021
Settlement Process - Cash. Please specify number of instances:

PFMI: n/a
AGC: 30f.

460 G14Q022
Settlement Process - Cash. Please specify total loss in USD:

PFMI: n/a
AGC: 30g.

-

461 G14Q023

System Outage. Please specify number of instances:

PFMI: n/a

AGC: 30h.

-

462 G14Q024

System Outage. Please specify total loss in USD:

PFMI: n/a

AGC: 30i.

-

463 G14Q025

For Other, please specify number of instances:

PFMI: n/a

AGC: 30k.

-

464 G14Q026

For Other, please specify total loss in USD:

PFMI: n/a

AGC: 30l.

-

465 G14Q027

How does the CSD identify its general business risks? What general business risks has the CSD identified?

PFMI: Q.15.1.1

AGC: n/a

CKDD 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 CKDD can be caused by external and internal factors and is realized through the reduction of income and / or increase the cost of doing business.

466 G14Q028

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?

PFMI: Q.15.1.2

AGC: n/a

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.

467 G14Q029

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?

PFMI: Q.15.2.1

AGC: n/a

n/a

468 G14Q030

Does the CSD maintain a reserve for operating losses?

PFMI: Q.15.2.1

AGC: 89, 89b

No [A02]

469 G14Q031

How does the CSD calculate the amount of liquid net assets funded by equity to cover its general business risks?

PFMI: Q.15.2.2

AGC: n/a

n/a

470 G14Q032

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?

PFMI: Q.15.2.2

AGC: n/a

n/a

471 G14Q033

Please describe and indicate reserve (for operating losses) amount:

PFMI: Q.15.2.2

AGC: 89a.

472 G14Q034

Has the CSD developed a plan to achieve a recovery or orderly wind-down, as appropriate?

PFMI: Q.15.3.1a

AGC: n/a

No [N]

473 G14Q035

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)?

PFMI: Q.15.3.1b

AGC: n/a

n/a

474 G14Q036

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?

PFMI: Q.15.3.2

AGC: n/a

n/a

475 G14Q037

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?

PFMI: Q.15.3.3

AGC: n/a

CKDD does not use its own resources to cover losses due to members' failure to meet obligations.

476 G14Q038

Does the CSD include equity held under international risk-based capital standards to cover general business risks?

PFMI: Q.15.3.4

AGC: n/a

CKDD does not cover general business risks according to international standards for risk.

477 G14Q039

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?

PFMI: Q.15.4.1

AGC: n/a

Based on its own investment policy, CKDD keeps all its assets in cash and liquid assets with the possibility of rapid conversion into cash. Investments are made mainly in Montenegro state EURO bonds (on foreign and domestic market) and small part in domestic savings bank deposits.

478 G14Q040
 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?

PFMI: Q.15.4.2
AGC: n/a

see answer 477

479 G14Q041
 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?

PFMI: Q.15.5.1
AGC: n/a

CKDD has no formally approved plan to increase capital, but in the year 2018 we increased capital to 750.000 EUR (according to Capital market Law).

480 G14Q042
 How frequently is the plan to raise additional equity reviewed and updated?

PFMI: Q.15.5.2
AGC: n/a

depends on the legislation and possible future new products implementation (i.e. entrance in depositary business for open-ended investment funds is by law conditioned with minimum capital requirement of 1 million EUR)

481 G14Q043
 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?

PFMI: Q.15.5.3
AGC: n/a

regulated by CKDD Statute

482 G14Q044
 filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

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
CDA Independent Audit report 2017.pdf (5484KB)	Independent Auditors' Report 2017
CKDD external audit report 2018.pdf (2172KB)	Independent Auditors' Report 2018

5

Custody risk (PFMI Principle 16)

483 G15Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P16
AGC: n/a

484 G15Q002

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?

PFMI: Q.16.1.1
AGC: n/a

CKDD investments are mainly made in Montenegro state EURO bonds, for which safekeeping uses CKB member of OTP group as local custodian. The chosed custody is a significant shareholder of the CKDD, whereby the price of the service was also used as a criteria.

485 G15Q003

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.)?

PFMI: Q.16.1.1
AGC: 29, 29i

- Yes
- No
- Not applicable
- OTHER:

486 G15Q004

If third parties are employed, please indicate which services they supply:

PFMI: Q.16.1.1

AGC: 29a.

487 G15Q005

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?

PFMI: Q.16.1.1

AGC: 29b.

488 G15Q006

If you acknowledge responsibility, please indicate whether your responsibility is assumed

PFMI: Q.16.1.1

AGC: 29c, 29e.

- regardless of whether such loss was caused by any action or inaction of the agent
- 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 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 the loss was caused by the willful default or other willful conduct on the part of the agent
- OTHER:

489 G15Q007

If you acknowledge responsibility for agents, your responsibility is assumed for losses

PFMI: Q.16.1.1

AGC: 29d, 29h.

- without limit
- which are not consequential losses
- subject to a monetary limit not based on insurance limits
- subject to a monetary limit based on insurance limits
- OTHER:n/a

490 G15Q008

Please specify limit:

PFMI: Q.16.1.1

AGC: 29f.

491 G15Q009
Please specify limit:

PFMI: Q.16.1.1
AGC: 29g.

492 G15Q010
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?

PFMI: Q.16.1.2
AGC: n/a

n/a

493 G15Q011
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?

PFMI: Q.16.2.1
AGC: n/a

based on applicable laws and good practices; It is a member of an international group

494 G15Q012
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?

PFMI: Q.16.2.2
AGC: n/a

based on applicable laws and good practices; It is a member of an international group

495 G15Q013
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?

PFMI: Q.16.3.1
AGC: n/a

Diversification is provided in a way that part of the liquid assets CKDD held in the form of deposits with domestic banks.

496 G15Q014
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.

PFMI: Q.16.3.1
AGC: 62

n/a

497 G15Q015
How does the CSD ensure that its investment strategy is consistent with its overall risk management strategy?

PFMI: Q.16.4.1a
AGC: n/a

by regular reports and decisions of the Board of Directors

498 G15Q016
How and to whom does the CSD disclose its investment strategy?

PFMI: Q.16.4.1b
AGC: n/a

to Regulator (Montenegro capital Market Authority), by asking the Approval

499 G15Q017
How does the CSD ensure on an ongoing basis that its investments are secured by, or are claims on, high-quality obligors?

PFMI: Q.16.4.2
AGC: n/a

by investing in low-risk state bonds that are guaranteed by the Montenegro state

500 G15Q018
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?

PFMI: Q.16.4.3
AGC: n/a

carried out by the diversification of the deposits in various commercial banks and investing in low-risk state bonds that are guaranteed by the Montenegro state

501 G15Q019
Does the CSD invest participant assets in the participants' own securities or those of its affiliates?

PFMI: Q.16.4.4
AGC: n/a

n/a

502 G15Q020

How does the CSD ensure that its investments allow for quick liquidation with little, if any, adverse price effect?

PFMI: Q.16.4.5

AGC: n/a

through the withdrawal of bank savings deposits

503 G15Q021

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Operational risk (PFMI Principle 17)

504 G16Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P17

AGC: n/a

505 G16Q002

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?

PFMI: Q.17.1.1

AGC: n/a

Registration, monitoring, mitigation and risk elimination in the CKDD is carried out based on legal provisions and CKDD 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.

506 G16Q003

What sources of operational risks has the CSD identified? What single points of failure in its operations has the CSD identified?

PFMI: Q.17.1.2

AGC: n/a

Sources of operational risk in CKDD 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.

507 G16Q004

How does the CSD monitor and manage the identified operational risks? Where are these systems, policies, procedures and controls documented?

PFMI: Q.17.1.3

AGC: n/a

in CKDD Risk management strategy, internally available.

508 G16Q005

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?

PFMI: Q.17.1.4

AGC: n/a

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.

509 G16Q006

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?

PFMI: Q.17.1.5

AGC: n/a

CKDD employment policy and training of its employees ensures a highly professional staff base.

510 G16Q007

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?

PFMI: Q.17.1.6

AGC: n/a

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.

511 G16Q008

How has the board of directors defined the key roles and responsibilities for operational risk management?

PFMI: Q.17.2.1

AGC: n/a

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.

512 G16Q009

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?

PFMI: Q.17.2.2

AGC: n/a

n/a

513 G16Q010

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?

PFMI: Q.17.2.3

AGC: n/a

n/a

514 G16Q011

Internal Audit. Is an internal audit undertaken in your CSD?

PFMI: Q.17.2.3

AGC: 14

No [N]

515 G16Q012

If yes, what areas does the audit cover (financials, operations, etc.) and which department in your CSD handles it?

PFMI: Q.17.2.3

AGC: 14a.

516 G16Q013

Please list the date of your last internal audit and the period that the audit covered:

PFMI: Q.17.2.3

AGC: 14b.

Start date:
End date:
Audit date:

517 G16Q014
How frequently does the internal audit occur?

PFMI: Q.17.2.3
AGC: 14c.

518 G16Q015
If less than annually, please explain:

PFMI: Q.17.2.3
AGC: 14d.

519 G16Q016
Are the results of the internal audit publicly available?

PFMI: Q.17.2.3
AGC: 14e.

520 G16Q017
Please select the statement that most accurately characterizes the results of the last internal audit:

PFMI: Q.17.2.3
AGC: 14f.

521 G16Q018
If minor or material exceptions were found, what actions were taken? Please describe:

PFMI: Q.17.2.3
AGC: 14g.

522 G16Q019
To what extent, where relevant, is the CSD's operational risk management framework subject to external audit?

PFMI: Q.17.2.4
AGC: n/a

n/a

523 G16Q020
Is an operational audit performed by an Audit Firm, Regulatory Authority, or other external party?

PFMI: Q.17.2.4

AGC: 16

No [N]

524 G16Q021

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

PFMI: Q.17.2.4

AGC: 16a.

525 G16Q022

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

PFMI: Q.17.2.4

AGC: 16b.

526 G16Q023

Please list the period that the audit covered:

PFMI: Q.17.2.4

AGC: 16c.

Start date:

End date:

527 G16Q024

How frequently does the operational audit occur?

PFMI: Q.17.2.4

AGC: 16d.

528 G16Q025

If less than annually, please explain:

PFMI: Q.17.2.4

AGC: 16e.

529 G16Q026

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

PFMI: Q.17.2.4

AGC: 16g.

530 G16Q027

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

PFMI: Q.17.2.4

AGC: 16h.

531 G16Q028

What are the CSD's operational reliability objectives, both qualitative and quantitative? Where and how are they documented?

PFMI: Q.17.3.1

AGC: n/a

n/a

532 G16Q029

How do these objectives ensure a high degree of operational reliability?

PFMI: Q.17.3.2

AGC: n/a

n/a

533 G16Q030

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?

PFMI: Q.17.3.3

AGC: n/a

n/a

534 G16Q031

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?

PFMI: Q.17.4.1

AGC: n/a

n/a

535 G16Q032

How are situations where operational capacity is neared or exceeded addressed?

PFMI: Q.17.4.2

AGC: n/a

n/a

536 G16Q033

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?

PFMI: Q.17.5.1
AGC: n/a

n/a

537 G16Q034
How is access to the physical building controlled?

PFMI: Q.17.5.1
AGC: 74

- By guards
- By electronic keys
- personal ID card
- By alarm system
- OTHER:

538 G16Q035
Please explain:

PFMI: Q.17.5.1
AGC: 74a.

Physical security of Central bank Montenegro (building owner)

539 G16Q036
Do the CSD's policies, processes, controls and testing appropriately take into consideration relevant international, national and industry-level standards for physical security?

PFMI: Q.17.5.2
AGC: n/a

no

540 G16Q037
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?

PFMI: Q.17.5.3
AGC: n/a

n/a

541 G16Q038

Regarding data security: Are passwords used by participants to access their accounts?

PFMI: Q.17.5.3

AGC: 71 71a.

Yes [A01]

542 G16Q039

Does each user have a unique user ID?

PFMI: Q.17.5.3

AGC: 71c.

Yes [A01]

543 G16Q040

Are passwords regularly changed?

PFMI: Q.17.5.3

AGC: 71e.

Other: each user could change the own password in any moment, as needed

544 G16Q041

How often?

PFMI: Q.17.5.3

AGC: 71f.

545 G16Q042

Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?

PFMI: Q.17.5.3

AGC: 71h.

Yes [A01]

546 G16Q043

How many?

PFMI: Q.17.5.3

AGC: 71i.

After 3 unsuccessful attempts

547 G16Q044

Do the CSD's policies, processes, controls and testing appropriately take into consideration relevant international, national and industry-level standards for information security?

PFMI: Q.17.5.4

AGC: n/a

CKDD policies and procedures, controls and tests of the information system take into account all relevant standards.

548 G16Q045

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?

PFMI: Q.17.6.1

AGC: n/a

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 of the CKDD.

549 G16Q046

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?

PFMI: Q.17.6.2

AGC: n/a

Disaster recovery plan for IT system (secondary base) allows CKDD to facilitate or complete settlement by the end of the day even in extreme circumstances

550 G16Q047

How quickly can the main system be reactivated in the event of an outage?

PFMI: Q.17.6.2

AGC: 82

Other: In case of power outage, CKDD is connected to external power generator that is automatically being activated.

551 G16Q048

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)?

PFMI: Q.17.6.3

AGC: n/a

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.

552 G16Q049

How do the CSD's crisis management procedures address the need for effective communications internally and with key external stakeholders and authorities?

PFMI: Q.17.6.4
AGC: n/a

CKDD DR plan describes how to use the secondary system, as well as ensure sufficient resources, functionalities and personnel.

553 G16Q050
Will the CSD publicly announce any system interruption?

PFMI: Q.17.6.4
AGC: 84

Yes [A01]

554 G16Q051
To whom will the CSD disclose any system interruptions?

PFMI: Q.17.6.4
AGC: 84a.

- To the CSD regulators
- To all direct participants
- To direct and indirect participants
- To the public via the internet
- In the press
- OTHER:

555 G16Q052
If so, please list webpage address:

PFMI: Q.17.6.4
AGC: 84b.

556 G16Q053
If so, please list all publications:

PFMI: Q.17.6.4
AGC: 84c.

557 G16Q054
Please explain:

PFMI: Q.17.6.4
AGC: 84d.

558 G16Q055
How will the CSD disclose any system interruptions?

PFMI: Q.17.6.4
AGC: 84e.

- By e-mail
- By telephone
- Public announcement
- Press release
- OTHER:

559 G16Q056
Please explain:

PFMI: Q.17.6.4
AGC: 84f.

560 G16Q057
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?

PFMI: Q.17.6.5
AGC: n/a

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.

561 G16Q058
If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing?

PFMI: Q.17.6.5
AGC: 83

1 - 4 hours [A01]

562 G16Q059
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?

PFMI: Q.17.6.6
AGC: n/a

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.

563 G16Q060

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?

PFMI: Q.17.6.7

AGC: n/a

n/a

564 G16Q061

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?

PFMI: Q.17.6.8

AGC: n/a

n/a

565 G16Q062

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?

PFMI: Q.17.6.8

AGC: 81

Yes [Y]

566 G16Q063

Does your Business Recovery Plan include:

PFMI: Q.17.6.8

AGC: 81a, 81h.

- Back-up of all computer files
- Off-site data storage
- Back-up files stored and locked
- Off-site operations facility
- OTHER:

567 G16Q064

Please identify both the frequency and the last date of testing for the following third party: CSD participants/members

PFMI: Q.17.6.8
AGC: 81b.

n/a

568 G16Q065
Please identify both the frequency and the last date of testing for the following third party: Stock exchange

PFMI: Q.17.6.8
AGC: 81c.

n/a

569 G16Q066
Please identify both the frequency and the last date of testing for the following third party: Central bank

PFMI: Q.17.6.8
AGC: 81d.

n/a

570 G16Q067
Please identify both the frequency and the last date of testing for the following third party: Local brokers

PFMI: Q.17.6.8
AGC: 81e.

n/a

571 G16Q068
Please identify both the frequency and the last date of testing for the following third party: Any other third party

PFMI: Q.17.6.8
AGC: 81f.

Montenegro Capital Market Authority

572 G16Q069
In the past three years, has it been necessary to activate the recovery plan in a live situation?

PFMI: Q.17.6.8
AGC: 85

No [A02]

573 G16Q070
If yes, how much time was needed to implement the recovery plan?

PFMI: Q.17.6.8
AGC: 85a.

574 G16Q071
How much time was needed to recover and restore business to normal operations?

PFMI: Q.17.6.8
AGC: 85b.

575 G16Q072
What was the impact to the market?

PFMI: Q.17.6.8
AGC: 85c, 85d.

- All securities settlements took place as scheduled on the same day with good value
- All cash settlements took place as scheduled on the same day with good value
- All securities settlements took place one business day late with good value
- All cash settlements took place one business day late with good value
- All securities settlements took place one business day late with value one day late
- All cash settlements took place one business day late with value one day late
- All securities settlements took place more than one business day late
- All cash settlements took place more than one business day late
- As a result of the system failure, all fines and penalties for late settlements were waived
- Even though there was a system failure, all fines and penalties for late settlements were still assessed
- OTHER:no impact

576 G16Q073
If no or other, please explain

PFMI: Q.17.7.4
AGC: 40a.

577 G16Q074
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?

PFMI: Q.17.7.1
AGC: n/a

n/a

578 G16Q075

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?

PFMI: Q.17.7.1

AGC: 39

- Yes
- No
- Not applicable

579 G16Q076

Please explain

PFMI: Q.17.7.1

AGC: 39a

580 G16Q077

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?

PFMI: Q.17.7.2

AGC: n/a

n/a

581 G16Q078

How and to what extent does the CSD identify, monitor and mitigate the risks it may pose to another FMI?

PFMI: Q.17.7.3

AGC: n/a

CKDD regularly notifies all relevant institutions about the changes in its system, new services and risks that accompany them.

582 G16Q079

To what extent does the CSD coordinate its business continuity arrangements with those of other interdependent CSDs?

PFMI: Q.17.7.4

AGC: n/a

CKDD regularly notifies all relevant institutions about the changes in its system, new services and risks that accompany them.

583 G16Q080

Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason?

PFMI: Q.17.7.4

AGC: 40

Not applicable [A03]

584 G16Q081

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Access and participation requirements (PFMI Principle 18)

585 G17Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P18

AGC: n/a

586 G17Q002

What are the CSD's criteria and requirements for participation (such as operational, financial and legal requirements)?

PFMI: Q.18.1.1

AGC: n/a

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 CKDD 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 Montenegro Capital Market Authority, these Rules and other regulations of the CKDD. 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)

Future requirements according to Law on Capital market (should be completed within 36 months from January 2018):

Investment company capital EUR 750,000. However, if the capital market operator also runs the MTP, the minimum capital cannot be less than EUR 1 million.

587 G17Q003

Are prospective participants subject to an initial review and approval process regarding compliance with

eligibility requirements?

PFMI: Q.18.1.1
AGC: 19

Yes [A01]

588 G17Q004

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?

PFMI: Q.18.1.2
AGC: n/a

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 CKDD. 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 CKDD, 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.

589 G17Q005

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?

PFMI: Q.18.2.1
AGC: n/a

All Participants (before and during the membership in CKDD) are subject to legally proscribed supervision by the local regulator (Montenegro Capital Market Authority) and by central bank (CBM, for custodians and depository banks).

590 G17Q006

Are there participation requirements that are not risk-based but required by law or regulation? If so, what are these requirements?

PFMI: Q.18.2.2
AGC: n/a

All members are required that under the provisions of the membership contract comply to the provisions of the CKDD Rules and Procedures. CKDD Rules and Procedures contain a number of provisions on handling securities, especially during clearing and settlement and during depository operations and corporate actions.

591 G17Q007

What governs the relationship between the CSD and the participants?

PFMI: Q.18.2.2
AGC: 20

Relevant law and regulation

- Standard participation contract
- Established terms and conditions of participation
- By-laws of the CSD
- Rules of the CSD
- Not applicable
- OTHER:

592 G17Q008

Please explain:

PFMI: Q.18.2.2

AGC: 20a

All members are required that under the provisions of the membership contract comply to the provisions of the CKDD Rules and Procedures. CKDD Rules and Procedures contain a number of provisions on handling securities, especially during clearing and settlement and during depository operations and corporate actions.

593 G17Q009

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)?

PFMI: Q.18.2.3

AGC: n/a

Yes, each class of participants are subject to the same access criteria, depending of their license (role).

594 G17Q010

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?

PFMI: Q.18.2.3

AGC: 17, 17q

- Banks
- Brokers
- Individuals
- Foreign Institutions
- Not applicable
- OTHER:Foreign entities branches

595 G17Q011

How many Bank participants are there currently? (then please answer 17b)

PFMI: Q.18.2.3
AGC: 17a.

6 (incl. 3 brokerage, 6 custody and 3 depository departments in the banks)

596 G17Q012

Please select the features included in the eligibility requirements for Banks.

PFMI: Q.18.2.3
AGC: 17b, 17d

- Financial Thresholds
- Regulatory Oversight
- Market Experience
- OTHER:Payment to the Guarantee fund (CKDD rules)

597 G17Q013

Please explain:

PFMI: Q.18.2.3
AGC: 17d.

legally proscribed condition (Law on banks and Capital market Law) and CKDD rules

598 G17Q014

How many Broker participants are there currently? (then please answer 17f)

PFMI: Q.18.2.3
AGC: 17e.

6 (excl. brokerage departments in the banks)

599 G17Q015

Please select the features included in the eligibility requirements for Brokers.

PFMI: Q.18.2.3
AGC: 17f, 17h

- Financial Thresholds
- Regulatory Oversight
- Market Experience
- OTHER:Payment to the Guarantee fund (CKDD rules)

600 G17Q016

How many Individual participants are there currently? (then please answer 17j)

PFMI: Q.18.2.3

AGC: 17i.

601 G17Q017

Please select the features included in the eligibility requirements for Individual participants.

PFMI: Q.18.2.3

AGC: 17j.

- Financial Thresholds
- Regulatory Oversight
- Market Experience
- OTHER:n/a

602 G17Q018

How many Foreign Institution participants are there currently?

PFMI: Q.18.2.3

AGC: 17m.

603 G17Q019

Please select the features included in the eligibility requirements for Foreign Institution participants.

PFMI: Q.18.2.3

AGC: 17n, 17p.

- Financial Thresholds
- Regulatory Oversight
- Market Experience
- OTHER:n/a

604 G17Q020

If you have selected "Other entities" above, please explain:

PFMI: Q.18.2.3

AGC: 17q.

according to Capital Market Law, beside Montenegrin legal entities, participant on capital market can be also a Foreign entity(ties) branch(es)

605 G17Q021

Indicate how many "Other entities" are currently participants?

PFMI: Q.18.2.3

AGC: 17r.

none

606 G17Q022

Please select the features included in the eligibility requirements for the participants referred to above as "Other entities".

PFMI: Q.18.2.3

AGC: 17s, 17u

- Financial Thresholds
- Regulatory Oversight
- Market Experience
- OTHER:Payment to the Guarantee fund (CKDD rules)

607 G17Q023

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?

PFMI: Q.18.2.4

AGC: n/a

When some entity became the CKDD Participant, there are no further access restrictions and requirements reviewed at the CKDD level (jurisdiction), till it fulfill obligation arises from activities in CKDD.

608 G17Q024

How are participation criteria, including restrictions in participation, publicly disclosed?

PFMI: Q.18.2.5

AGC: n/a

CKDD rules, publicly available on web site www.ckdd.me

609 G17Q025

Where can a description of the specific eligibility requirements for Bank participants be found?

PFMI: Q.18.2.5

AGC: 17c.

<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), <http://www.scmn.me/fajlovi/ZakonOTržištuKapitala.pdf>

610 G17Q026

Where can a description of the specific eligibility requirements for Broker participants be found?

PFMI: Q.18.2.5

AGC: 17g.

<http://www.scmn.me/fajlovi/ZakonOHartijamaOdVrijednosti.pdf>, <http://www.cda.me/> (CDA rules);
<http://www.scmn.me/fajlovi/ZakonOTržištuKapitala.pdf>

611 G17Q027

Where can a description of the specific eligibility requirements for Individual participants be found?

PFMI: Q.18.2.5

AGC: 17k.

612 G17Q028

Where can a description of the specific eligibility requirements for Foreign Institution participants be found?

PFMI: Q.18.2.5

AGC: 17o.

613 G17Q029

Where can a description of the specific eligibility requirements for participants described above as "Other entities" be found?

PFMI: Q.18.2.5

AGC: 17t.

<http://www.scmn.me/fajlovi/ZakonOHartijamaOdVrijednosti.pdf>, <http://www.cda.me/> (CDA rules);
<http://www.scmn.me/fajlovi/ZakonOTržištuKapitala.pdf>

614 G17Q030

How does the CSD notify participants of material changes to the conditions of participation?

PFMI: Q.18.2.5

AGC: 22

- By e-mail
- By telephone
- By public announcement
- By press release
- Not applicable
- OTHER:by sending direct written notice

615 G17Q031

Please explain:

PFMI: Q.18.2.5

AGC: 22a.

by sending direct written notice and web announcement on www.ckdd.me

616 G17Q032

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?

PFMI: Q.18.3.1

AGC: n/a

CKDD permanently monitors if Participant accurately and timely fulfill the obligations arises from activities in CKDD. In addition, by CKDD Rules, we collect the client complaints to Participants and distribute it to Montenegro Capital Market Authority.

617 G17Q033

Who enforces compliance with the CSD's conditions of participation?

PFMI: Q.18.3.1

AGC: 23

- The CSD
- The exchange
- The CSD's regulator
- Not applicable
- OTHER:

618 G17Q034

Please explain:

PFMI: Q.18.3.1

AGC: 23a

CKDD prior to acceptance in membership check if Applicant meet the conditions proscribed by CKDD rules.

619 G17Q035

Does the CSD have forms of oversight management for assessing and monitoring of the following?

PFMI: Q.18.3.1

AGC: 79

- Participant eligibility requirements
- Participant volumes
- Participant financial strength
- Other loss or default protections the CSD maintains
- Collateral requirements for participants
- Debit caps for participants

- Settlement controls that minimize or eliminate the risk of default by a participant
- Blocking of securities movement before receipt of payment
- Blocking payment until securities are moved
- Not applicable
- OTHER:

620 G17Q036

Please explain other loss or default protections:

PFMI: Q.18.3.1

AGC: 79a

621 G17Q037

Please explain the requirements:

PFMI: Q.18.3.1

AGC: 79b

CKDD prior to acceptance in membership check if Applicant meet the conditions proscribed by CKDD rules. During the membership, CKDD permanently monitors if Participant accurately and timely fulfill the obligations arises from activities in CKDD. Described participant contributions to Guarantee fund.

622 G17Q038

Please explain how these debit caps work:

PFMI: Q.18.3.1

AGC: 79c

623 G17Q039

What type or types of settlement controls

PFMI: Q.18.3.1

AGC: 79d.

- Blocking or freezing of securities positions
- Controlling DVP settlement
- Simultaneous DVP
- OTHER:

624 G17Q040

Please explain:

PFMI: Q.18.3.1

AGC: 79e.

625 G17Q041
Please explain:

PFMI: Q.18.3.1
AGC: 79f.

CKDD 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.

626 G17Q042
Please explain:

PFMI: Q.18.3.1
AGC: 79g.

627 G17Q043
Please identify and explain:

PFMI: Q.18.3.1
AGC: 79h

628 G17Q044
Please explain briefly how these work:

PFMI: Q.18.3.1
AGC: 79i

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 CKDD 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 Guaratee 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 CKDD 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).

629 G17Q045
What are the CSD's policies for conducting enhanced surveillance of, or imposing additional controls on, a participant whose risk profile deteriorates?

PFMI: Q.18.3.2
AGC: n/a

n/a

630 G17Q046

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?

PFMI: Q.18.3.3
AGC: n/a

Membership in the CKDD shall be terminated on the basis of the Montenegro Capital market Authority's decision to revoke the given license to operate. Punitive measures - Suspension: CKDD 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 CKDD 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 CKDD in accordance with these rules, instructions, price list and other legal acts of the CKDD; • 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.

631 G17Q047

What enforcement actions are available to the enforcement authority?

PFMI: Q.18.3.3
AGC: 24

- Fines
- Restrictions on participation
- Suspension of participation
- Termination of participation
- Not applicable
- OTHER:

632 G17Q048

Please explain:

PFMI: Q.18.3.3
AGC: 24a

Membership in the CKDD shall be terminated on the basis of the Montenegro Capital market Authority's decision to revoke the given license to operate. Punitive measures - Suspension: CKDD 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 CKDD 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 CKDD in accordance with these rules, instructions, price list and other legal acts of the CKDD; • 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.

633 G17Q049

Has there been any such enforcement actions in the last three years?

PFMI: Q.18.3.3

AGC: 25

Yes [Y]

634 G17Q050

If yes, please explain, including information relative to any suspensions of CSD participants:

PFMI: Q.18.3.3

AGC: 25a.

CKDD, 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).

There was no penalties/measurements against the CKDD participants during 2016, 2017 and 2018.

635 G17Q051

How are the CSD's procedures for managing the suspension and orderly exit of a participant disclosed to the public?

PFMI: Q.18.3.4

AGC: n/a

CKDD rules publicly available on www.ckdd.me, as well as list of all imposed fines / suspensions

636 G17Q052

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Tiered participation (PFMI Principle 19)

637 G18Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P19
AGC: n/a

638 G18Q002
Does the CSD have any tiered participation arrangements? If so, describe these arrangements.

PFMI: Q.19.1.1
AGC: n/a

In the CKDD there are no tiered participation arrangements of membership. There are only direct members as participant members.

639 G18Q003
How does the CSD gather basic information about indirect participation? Which information is collected and how frequently is it updated?

PFMI: Q.19.1.2
AGC: n/a

n/a

640 G18Q004
How does the CSD evaluate its risks arising from these arrangements?

PFMI: Q.19.1.3
AGC: n/a

n/a

641 G18Q005
What material risks to the CSD arising from tiered participation arrangements has the CSD identified? How has it mitigated these risks?

PFMI: Q.19.1.4
AGC: n/a

n/a

642 G18Q006
How does the CSD identify material dependencies between direct and indirect participants that might affect the CSD?

PFMI: Q.19.2.1
AGC: n/a

n/a

643 G18Q007

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?

PFMI: Q.19.3.1

AGC: n/a

n/a

644 G18Q008

What risks to the CSD arise, and how does the CSD manage these risks arising from key indirect participants?

PFMI: Q.19.3.2

AGC: n/a

n/a

645 G18Q009

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?

PFMI: Q.19.4.1

AGC: n/a

n/a

646 G18Q010

What criteria does the CSD use to determine when mitigating actions are required? How does the CSD monitor and mitigate its risks?

PFMI: Q.19.4.2

AGC: n/a

n/a

647 G18Q011

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Links (PFMI Principle 20)

648 G19Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P20

AGC: n/a

CKDD has no any established link(s) to another CSD.

649 G19Q002

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?

PFMI: Q.20.1.1

AGC: n/a

n/a

650 G19Q003

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?

PFMI: Q.20.1.2

AGC: n/a

CKDD has no any established link(s) to another CSD.

651 G19Q004

Please list all depositories or settlement systems to which you have an electronic link.

PFMI: Q.20.1.2

AGC: 38

none

652 G19Q005

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?

PFMI: Q.20.1.3

AGC: n/a

n/a

653 G19Q006

In which jurisdictions has the CSD established links? What are the relevant legal frameworks supporting the established links?

PFMI: Q.20.2.1

AGC: n/a

n/a

654 G19Q007

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?

PFMI: Q.20.2.2

AGC: n/a

n/a

655 G19Q008

What processes are in place to measure, monitor and manage credit and liquidity risks arising from any established links?

PFMI: Q.20.3.1

AGC: n/a

n/a

656 G19Q009

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?

PFMI: Q.20.3.2

AGC: n/a

n/a

657 G19Q010

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?

PFMI: Q.20.4.1

AGC: n/a

n/a

658 G19Q011

For any established link, how has the investor CSD determined that the rights of its participants have a high level of protection?

PFMI: Q.20.5.1

AGC: n/a

n/a

659 G19Q012

How frequently is reconciliation of holdings conducted by the entities holding the securities in custody?

PFMI: Q.20.5.2

AGC: n/a

n/a

660 G19Q013

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)?

PFMI: Q.20.5.3

AGC: n/a

n/a

661 G19Q014

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?

PFMI: Q.20.6.1

AGC: n/a

n/a

662 G19Q015

What are the respective liabilities of the two linked CSDs and the intermediaries?

PFMI: Q.20.6.2

AGC: n/a

n/a

663 G19Q016

What processes exist to measure, monitor and manage the risks arising from use of the intermediary?

PFMI: Q.20.6.3

AGC: n/a

n/a

664 G19Q017
filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Efficiency and effectiveness (PFMI Principle 21)

665 G20Q001
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.)

PFMI: Annex A - CSD disclosure template - IV.P21
AGC: n/a

666 G20Q002
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?

PFMI: Q.21.1.1
AGC: n/a

CKDD 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.

667 G20Q003
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)?

PFMI: Q.21.1.2
AGC: n/a

CKDD uses feedback on their system and conduct and based on this information performs adjustments of systems and procedures.

668 G20Q004
What are the CSD's goals and objectives as far as the effectiveness of its operations is concerned?

PFMI: Q.21.2.1
AGC: n/a

CKDD 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.

669 G20Q005

How does the CSD ensure that it has clearly defined goals and objectives that are measurable and achievable?

PFMI: Q.21.2.2

AGC: n/a

CKDD 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.

670 G20Q006

To what extent have the goals and objectives been achieved? What mechanisms does the CSD have to measure and assess this?

PFMI: Q.21.2.3

AGC: n/a

n/a

671 G20Q007

What processes and metrics does the CSD use to evaluate its efficiency and effectiveness?

PFMI: Q.21.3.1

AGC: n/a

n/a

672 G20Q008

How frequently does the CSD evaluate its efficiency and effectiveness?

PFMI: Q.21.3.2

AGC: n/a

n/a

673 G20Q009

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Communication (PFMI Principle 22)

674 G21Q001

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.)

PFMI: Annex A - CSD disclosure template - IV.P22
AGC: n/a

675 G21Q002

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?

PFMI: Q.22.1.1
AGC: n/a

No, CKDD don't use an internationally accepted communications procedure (e.g SWIFT)

676 G21Q003

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?

PFMI: Q.22.1.1
AGC: 69

- By direct electronic link
- By receipt of physical account holding statements
- Not applicable
- OTHER:

677 G21Q004

Please explain:

PFMI: Q.22.1.1
AGC: 69a.

678 G21Q005

Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?

PFMI: Q.22.1.1
AGC: 70

Yes [A01]

679 G21Q006

How is access given to participants?

PFMI: Q.22.1.1

AGC: 70a.

By direct electronic link

OTHER:

680 G21Q007

Please select type of electronic link:

PFMI: Q.22.1.1

AGC: 70b.

Dial-up modem

Secured, leased, dedicated telephone line

Internet

Fax

681 G21Q008

Please explain:

PFMI: Q.22.1.1

AGC: 70c.

682 G21Q009

Does the CSD communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?

PFMI: Q.22.1.1

AGC: 72

Yes [A01]

683 G21Q010

Please explain:

PFMI: Q.22.1.1

AGC: 72a

684 G21Q011

How does the CSD communicate with Stock Exchanges?

PFMI: Q.22.1.1

AGC: 73 73a

Dial-up modem

Secured, leased, dedicated telephone line

- Internet
- Fax
- Paper
- other
- Not applicable
- OTHER:

685 G21Q012
How does the CSD communicate with Payment Systems?

PFMI: Q.22.1.1
AGC: 73b

- Dial-up modem
- Secured, leased, dedicated telephone line
- Internet
- Fax
- Paper
- other
- Not applicable
- OTHER:

686 G21Q013
How does the CSD communicate with Clearing Houses?

PFMI: Q.22.1.1
AGC: 73c

- Dial-up modem
- Secured, leased, dedicated telephone line
- Internet
- Fax
- Paper
- other
- Not applicable
- OTHER:

687 G21Q014
How does the CSD communicate with Registrars?

PFMI: Q.22.1.1
AGC: 73d

- Dial-up modem
- Secured, leased, dedicated telephone line
- Internet
- Fax
- Paper
- other
- Not applicable
- OTHER:

688 G21Q015

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?

PFMI: Q.22.1.2

AGC: n/a

CKDD isn't engage in cross-border operations.

689 G21Q016

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?

PFMI: Q.22.1.3

AGC: n/a

no

690 G21Q017

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?

PFMI: Q.22.1.4

AGC: n/a

n/a

691 G21Q018

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?

PFMI: Q.22.1.5

AGC: n/a

n/a

692 G21Q019
filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Transparency and disclosure (PFMI Principle 23)

693 G22Q001
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.)

PFMI: Annex A - CSD disclosure template - IV.P23
AGC: n/a

694 G22Q002
What documents comprise the CSD's rules and procedures? How are these documents disclosed to participants?

PFMI: Q.23.1.1
AGC: n/a

CKDD Rules and Procedures publicly available on web site www.ckdd.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

695 G22Q003
How does the CSD determine that its rules and procedures are clear and comprehensive?

PFMI: Q.23.1.2
AGC: n/a

696 G22Q004
What information do the CSD's rules and procedures contain on the procedures it will follow in non-routine, though foreseeable, events?

PFMI: Q.23.1.3
AGC: n/a

Default procedures Punitive measures - Suspension and Termination

697 G22Q005

How and to whom does the CSD disclose the processes it follows for changing its rules and procedures?

PFMI: Q.23.1.4

AGC: n/a

It is declared in the CKDD Rules following provisions: Amendments to the Rules brings the Assembly of the CKDD. Proposal of amendments shall be published on our website at least 15 days before the adoption of the proposed amendments. In the process of making amendments to the CKDD 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.

698 G22Q006

How does the CSD disclose relevant rules and key procedures to the public?

PFMI: Q.23.1.5

AGC: n/a

Documents CKDD Rules and Procedures are published on the website www.ckdd.me

699 G22Q007

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?

PFMI: Q.23.2.1

AGC: n/a

CKDD Rules and Procedures provide complete insight into the way of doing business of the CKDD. In addition to these basic acts on the website www.ckdd.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.

700 G22Q008

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

PFMI: Q.23.2.2

AGC: n/a

The degree of confidentiality is determined by the legal provisions and regulations of the CKDD, which are available to the public (www.ckdd.me).

701 G22Q009

What information does the CSD provide to its participants about their rights, obligations and risks incurred through participation in the CSD?

PFMI: Q.23.2.3

AGC: n/a

CKDD 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 CKDD.

702 G22Q010

How does the CSD facilitate its participants' understanding of the CSD's rules, procedures and the risks associated with participating?

PFMI: Q.23.3.1

AGC: n/a

CKDD has rules and procedures based on an equal and non-discriminatory approach to all members and strives for their provisions to be clear and unambiguous. CKDD offers the training courses for Participants also.

703 G22Q011

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?

PFMI: Q.23.3.2

AGC: n/a

Proof of the above is a negligible number of unfulfilled obligations in the clearing and settlement system

704 G22Q012

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?

PFMI: Q.23.3.3

AGC: n/a

CKDD will contact the member and try to explain all disputes

705 G22Q013

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?

PFMI: Q.23.4.1

AGC: n/a

Fee Schedule (Price list) of the CKDD with the prices of individual services and terms for certain discounts is publicly available on website www.ckdd.me.

706 G22Q014

How does the CSD notify participants and the public, on a timely basis, of changes to services and fees?

PFMI: Q.23.4.2

AGC: n/a

All changes of CKDD price list are published in the Official Journal of Montenegro and consolidated version of Price list is publicly available on the website www.ckdd.me.

707 G22Q015

Does the CSD provide a description of its priced services? Do these descriptions allow for comparison across similar CSD??

PFMI: Q.23.4.3

AGC: n/a

CKDD Fee Schedule contains descriptions and explanations of pricing services and short descriptions of what a certain fees includes.

708 G22Q016

Does the CSD disclose information on its technology and communication procedures, or any other factors that affect the costs of operating the CSD?

PFMI: Q.23.4.4

AGC: n/a

yes, publicly available as part of manual instructions and procedures for Participants, investors and issuers (e-account service)

709 G22Q017

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?

PFMI: Q.23.5.1

AGC: n/a

CKDD until 2017 not filled the PFMI Disclosure framework for financial market infrastructures but MSEC (Montenegro Capital Market Authority) done it.

The last update was in march 2017 with data for 2016.

710 G22Q018

What quantitative information does the CSD disclose to the public? How often is this information updated?

PFMI: Q.23.5.2

AGC: n/a

CKDD 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)

711 G22Q019

What other information does the CSD disclose to the public?

PFMI: Q.23.5.3

AGC: n/a

- diverse questionnaires (ECDSA, ANNA, AGC, Thomas Murray) - annual business report with auditor's report

712 G22Q020

Capital. Are annual financial statements publicly disclosed?

PFMI: Q.23.5.3

AGC: 13

Yes [A01]

713 G22Q021

If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?

PFMI: Q.23.5.3

AGC: 13a.

Yes [Y]

714 G22Q022

filecount - If yes, please upload the document(s) here or insert web link(s) in question 13d:

PFMI: Q.23.5.3

AGC: 13b.

CDA Report 2016 _ montenegrin.pdf (3065KB)	2016	
Translation CDA 2015 .pdf (1721KB)	2015	
CDA annual report 2014.pdf (634KB)	2014	
CDA Independent Audit report 2017.pdf (5484KB)	2017	
CKDD external audit report 2018.pdf (2172KB)	2018	

5

715 G22Q023

filecount - If more than one document for 13b, please upload the additional document here:

PFMI: Q.23.5.3

AGC: 13c.

0

716 G22Q024

Please insert web link(s) for 13b here:

PFMI: Q.23.5.3

AGC: 13d.

www.ckdd.me

717 G22Q025

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):

PFMI: Q.23.5.3

AGC: 13e.

718 G22Q026

Reserves (then please answer 13g):

PFMI: Q.23.5.3

AGC: 13f.

50.228 € (on 31/12/2017)

0 € (31/12/2018)

719 G22Q027

Retained Earnings:

PFMI: Q.23.5.3

AGC: 13g.

284.668 € (on 31/12/2017)

286.010 € (31/12/2018)

720 G22Q028

How does the CSD disclose this information to the public? In which language(s) are the disclosures provided?

PFMI: Q.23.5.4

AGC: n/a

in Montenegrin

721 G22Q029

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?

PFMI: Q.23.5.4

AGC: 100

Yes [Y]

722 G22Q030

Are the results of the financial audit publicly available?

PFMI: Q.23.5.4

AGC: 15f

Yes [Y]

723 G22Q031

Are the results of the operational audit publicly available?

PFMI: Q.23.5.4

AGC: 16f

724 G22Q032

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.

PFMI: Annex A - CSD disclosure template - V.

AGC: n/a

www.scmn.me (Montenegro Capital market Authority)

725 G22Q033

filecount - Add relevant appendices for this group.

PFMI: n/a

AGC: n/a

0

Compliance with SEC Rule 17f-7

726 G23Q001

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?

PFMI: n/a

AGC: 1

Yes [Y]

727 G23Q002

Please explain

PFMI: n/a
AGC: 1a

All securities of a particular class or series of any issuer that are deposited in CKDD are fungible and can be transferred or pledged by bookkeeping entry without physical delivery of the securities.

728 G23Q003

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:

PFMI: n/a
AGC: 2

- Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated?
- Act as or operate a transnational system for the central handling of securities or equivalent book-entries?
- Act in another capacity with respect to the handling of securities or equivalent book-entries?
- Not applicable
- OTHER:

729 G23Q004

Please explain:

PFMI: n/a
AGC: 2a.

CKDD is legally responsible for the registration of all securities issued in Montenegro

730 G23Q005

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:

PFMI: n/a
AGC: 2b.

Equities, debt instruments, T-bills, but the CKDD system is appropriate for registration of all CFI

731 G23Q006

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?

PFMI: n/a
AGC: 8

- A governmental body or regulatory organization empowered to administer or enforce laws related to securities matters.
- A governmental body or self-regulatory organization empowered to administer or enforce laws related to other financial activities.
- A membership organization which regulates the participation of its members in securities matters or other financial activities.
- OTHER:

732 G23Q007
Please explain:

PFMI: n/a
AGC: 8a.

733 G23Q008

Please provide the name of regulatory authority(ies) identified in question 8:

PFMI: n/a
AGC: 9

Montenegro Capital market Authority

734 G23Q009

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:

PFMI: n/a
AGC: 10

- Regulatory authorities?
- Independent accountants?
- OTHER:

735 G23Q010

Please explain:

PFMI: n/a
AGC: 10a

- periodic control of the Regulator (direct control twice a year, indirect when necessary) - Annual Independent Auditors' Report

736 G23Q011

Name of Authority #1 (please answer 11a):

PFMI: n/a
AGC: 11

Montenegro Capital market Authority

737 G23Q012

What enforcement actions are available to regulatory authority #1 for breach of applicable statute or regulatory requirements?

PFMI: n/a
AGC: 11a.

- Fines
- Restrictions on CSD activities.
- Suspension of CSD activities.
- Termination of CSD activities.
- OTHER:

738 G23Q013

Please explain:

PFMI: n/a
AGC: 11b.

according to Capital market Law provisions

739 G23Q013A

Name of Authority #2:

740 G23Q014

What enforcement actions are available to regulatory authority #2 for breach of applicable statute or regulatory requirements?

PFMI: n/a
AGC: 11c.

- Fines
- Restrictions on CSD activities.
- Suspension of CSD activities.
- Termination of CSD activities.
- OTHER:

741 G23Q015

Please explain:

PFMI: n/a
AGC: 11d.

742 G23Q016

Has there been any use of such enforcement actions in the last three years?

PFMI: n/a
AGC: 12

- Yes
 No
 OTHER:

743 G23Q017

If yes, please explain:

PFMI: n/a
AGC: 12a.

744 G23Q018

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?

PFMI: n/a
AGC: 90

No [A02]

745 G23Q019

Please describe:

PFMI: n/a
AGC: 90a.

746 G23Q020

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?

PFMI: n/a
AGC: 90b.

747 G23Q021

If yes, please describe:

PFMI: n/a
AGC: 90c.

748 G23Q022
If no, why not?

PFMI: n/a
AGC: 90d.

749 G23Q023

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.

PFMI: n/a
AGC: 21

Yes [A1]

750 G23Q024

If no, other or not applicable, please explain:

PFMI: n/a
AGC: 21a.

751 G23Q025

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.

PFMI: n/a
AGC: 21b, 21c.

- Relevant Law and Regulation
- Standard participation contract
- Established terms and conditions of participation
- By-laws of the CSD
- Rules of the CSD
- OTHER:

752 G23Q027

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.

PFMI: n/a
AGC: 21d

The role of CKDD 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 CKDD system. CKDD 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). CKDD 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.

753 G23Q028

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?

PFMI: n/a
AGC: 46

Yes [A01]

754 G23Q029

If no or other, please explain

PFMI: n/a
AGC: 46a.

755 G23Q030

If yes, please indicate the scheduled frequency:

PFMI: n/a
AGC: 46b, 46c.

- Daily
- Weekly
- Monthly
- Quarterly
- Annually
- Upon request
- OTHER: A Participant is able at any moment to initiate a several reports from CKDD IS which will provide him regarding data.

756 G23Q031

filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Relevant RSSS recommendations

757 G24Q001

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.

PFMI: 2 - Trade confirmation
AGC: n/a

CKDD 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 CKDD 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.

758 G24Q002

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.

PFMI: 3 - Settlement cycles
AGC: n/a

CKDD Rules: CKDD 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 CKDD cash pool account to a cash bank account of the Participant represent seller side (model 1) and Participant net claimant (model 2).

759 G24Q003

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.

PFMI: 5 - Securities lending
AGC: n/a

n/a

760 G24Q004

Securities should be immobilised or dematerialised and transferred by book entry in CSDs to the greatest extent possible.

PFMI: 6 - Central securities depositories (CSDs)
AGC: n/a

all securities registered in CKDD are dematerialised and transferred by book entry in CKDD (by Capital market Law provisions)

761 G24Q005

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.

PFMI: 12 - Protection of customers' securities
AGC: n/a

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)

762 G24Q006
filecount - Add relevant appendices for this group.

PFMI: n/a
AGC: n/a

0

Appendices

763 G25Q001
filecount - Add relevant appendices

PFMI: n/a
AGC: n/a

0

764 G25Q002
I am submitting up-to-date information in response to:

Both AGC and PFMI questions [A3]