

---

Name	Slovenia- KDD Central Securities Clearing Corp.
Contact Name	Mr. Vid Slamic
Address	KDD d.d. Tivolska cesta 48 1542 Ljubljana Slovenia
Country	Slovenia
Phone	+386 1 3073500
Fax	+386 1 3073507
E-mail	vslamic@kdd.si
Web Site	www.kdd.si

**Welcome to the Depository-  
Information Gathering Project.**

Before beginning, we suggest that you print the entire document for review on paper and review the Glossary of Terms. Each will assist you with answering the questions. For help, contact: Robin D. Truesdale, Baker & McKenzie LLP (202) 835-1664; e-mail: Robin.Truesdale@bakermckenzie.com.

Note

**\* When reviewing/updating your prior year's responses in the questionnaire, please ensure that the sub-questions are reviewed/updated as well.**

**\* Please deselect/uncheck any responses in the sub-questions where those responses are no longer applicable.**

**\* Please note: Any text in the "other" and/or "please explain/describe" questions should be deleted before deselecting the response. In this regard, note that deselecting a response with written text does not delete the information, it only hides the information from view.**

**\* Any responses that appear in open text boxes should be deleted if the information is no longer applicable.**

SCOPE, STRUCTURE, OWNERSHIP, CAPITAL, REGULATION AND AUDIT

---

*The purpose of this section is to understand the ownership structure and financial strength of your institution, as well as the level of regulatory and operational supervision to which it is subject.*

**Response Necessary/Eligibility Question**

**1. Rule 17f-7, by reference to Rule 17f-4, requires that, for a depository to be eligible to hold securities of U.S. registered investment companies (such depositories hereinafter referred to as "Eligible Securities Depositories"), the depository must be a "system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities."**

**Are all securities of a particular class or series of any issuer that are deposited in your institution treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?**

Yes

**1a. Please explain:**

**Response Necessary/Eligibility Question**

**2. Rule 17f-7 also requires that an Eligible Securities Depository "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: (Choose all that apply.)**

Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated? (please answer 2b), Act in another capacity with respect to the handling of securities or equivalent book-entries? (please answer 2a)

**2a. Please explain:**

- clearing and settlement of the Ljubljana Stock Exchange trades, - settlement of all off-market trades (securities transactions), - central registry of dematerialized securities (central depository), - keeping securities accounts for legal owners, - ISIN coding, - custody services, - corporate actions services, - take-over bid procedures, - entitlements processing, - LEI allocation.

**2b. 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:**

- short and long term debt securities, - equities, - mutual fund units.

**3. What type of legal entity is the institution? (Choose all that apply.)**

Private Company

**3a. Please explain:**

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

For profit

**4a. If other, please explain:**

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

BANKS 8.9%, GOVERNMENTAL FUNDS 24%, MANAGEMENT COMPANIES 12.7%, OTHER PRIVATE INVESTORS 51.1%, OWN SHARES 3.3% (as of December 31, 2015)

**6. Please answer the following:**

**6a. What is the date of establishment of the depository?**

10/Jan/1995

**6b. What is the date that the depository's operations began?**

21/Aug/1995

**7. Under what regulation or statute is the depository established and governed?**

KDD's Articles of Association (Statute) KDD's operations are governed by: • Book Entry Securities Act (ZNVP-1), • Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR) • Markets in Financial Instruments Act (ZTFI), • Financial Collateral Act (ZFZ), • Takeovers Act (ZPre-1), • Companies Act (ZGD-1), • Investment Trusts and Management Companies Act (ZISDU-3), • Code of Obligations (OZ), • Law of Property Code (SPZ), • Banking Act (ZBan-2), • Subordinate legislation (KDD's Rules and Regulations).

**7a. Is the regulation or statute electronically available?**

Yes (please answer 7b)

**7b. If regulation or statute is electronically available, please supply web address(es) here or upload document(s) in question 7c.**

Legislation: <http://www.a-tpv.si/Eng/Default.aspx?id=25> KDD's Rules and Regulations: [http://www-en.kdd.si/rules\\_regulations\\_and\\_tariff](http://www-en.kdd.si/rules_regulations_and_tariff)

**7c. Please supply document(s) here:**

**7d. Please provide details of the structure and composition of your Board together with their industry experience and responsibilities in governing the depository.**

**What are the qualifications to become a board member?**

According to Article 255 of Companies Act, every natural person, capable of business, can become a Board of Directors Member (i.e. Supervisory Board), except person, that: - is already a member of another KDD's management or supervisory body, - has been enforceable convicted of criminal offence against economy, working policy, social security, legal traffic, property, environment, place and natural goods. This person may not become a member of the Board of Directors five years from enforcement of the court decision and two years from completing sentenced imprisonment, - has been issued a ban on executing profession, as long as the ban lasts, - was as member of a management or supervisory body of a company, that underwent bankruptcy proceedings, that was enforceable condemned on payment of indemnity to creditors according to applicable law. This person may not become a member of the Board of Directors two years from enforcement of the court decision.

**7e. What are the election procedures?**

Board Members are elected by the General Meeting of Shareholders.

**7f. What is the maximum length of time a board member can serve?**

Board Members are elected for a period of four years and can be re-elected.

**7g. How are the voting powers distributed amongst the board members (i.e. does each board member have one vote or do certain members have additional voting power)?**

Each board member has one vote.

**7h. Who is responsible for regulating the board members?**

Board of Directors is regulated by the General Meeting of Shareholders.

**Response Necessary/Eligibility Question**

**8. Rule 17f-7 requires that an Eligible Securities Depository "is regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act", with section 2(a)(50) establishing that "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 depository? (Choose all that apply.)**

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.

**8a. Please explain:**

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

Securities Market Agency (independent regulatory institution, responsible to the Parliament) performs prudential supervision of KDD's operations; Bank of Slovenia (Central Bank) supervises KDD in respect to systemic risk of settlement system and from the perspective of operator of national component of TARGET2 payment system (KDD is participant in TARGET2).

**Response Necessary/Eligibility Question**

**10. Rule 17f-7 requires that an Eligible Securities Depository "is subject to periodic examination by regulatory authorities or independent accountants."**

**Is the depository subject to periodic examination by: (Choose all that apply.)**

Regulatory authorities?, Independent accountants?

**10a. Please explain:**

**11. What enforcement actions are available to the regulatory authority(ies) for breach of applicable statute or regulatory requirements? (Choose all that apply.)**

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

Securities Market Agency

**11a.**

Fines, Restrictions on depository activities., Suspension of depository activities., Termination of depository activities.

**11b. Please explain:**

**Name of Authority #2 (please answer 11c):**

**11c.**

**11d. Please explain:**

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

No

**12a. If yes or other, please explain:**

### **Capital**

**13. Are annual financial statements publicly disclosed?**

Yes (please answer 13a)

**13a. If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?**

Yes (please answer 13b)

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

**13c. If more than one document for 13b, please upload the additional document here:**

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

financial statements (english version): [http://www-en.kdd.si/about\\_kdd](http://www-en.kdd.si/about_kdd) annual report (slovenian version): <http://www.kdd.si/poslovanje/objave>

**13e. 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):**

**13f. Reserves (then please answer 13g):**

**13g. Retained Earnings:**

**13h. If other, please explain:**

**Internal Audit**

**14. Is an internal audit undertaken in your depository?**

Yes (please answer 14a)

**14a. If yes, what areas does the audit cover (financials, operations, etc.) and which department in your depository handles it?**

– Monitoring and evaluating the efficiency of risk management systems and providing assistance in risk management, – Review, assessment and testing of efficiency of internal control systems, – Assessment of reliability of the information system, including the electronic information system, – Assessment of accuracy and reliability of accounting records and financial reports, – Verification of completeness, reliability and timeliness of reporting in compliance with regulations, – Verification of compliance of the operations with regulations, internal rules and measures adopted on their basis, – Conduct of special investigations. Internal auditing is performed by Internal Audit Department.

**14b. Please list the date of your last internal audit:**

**Please list the period that the audit covered:**

01/Jan/2015

**to**

31/Dec/2015

**14c. How frequently does the internal audit occur? (Choose one.)**

Two or more times a year (please answer 14e)

**14d. If less than annually, please explain:**

**14e. Are the results of the internal audit publicly available?**

No

**14f. Please select the statement that most accurately characterizes the results of the last internal audit: (Choose one.)**

No material exceptions found.

**14g. If minor or material exceptions were found, what actions were taken? Please describe:**

Internal audit is performed on continuous basis. Audit reports are issued twice a year.

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

Yes (please answer 15a)

**15a. If yes, please state the name(s) of the entity(ies) who perform the financial audit.**

KPMG Slovenija, d.o.o.

**15b. Please list the date of your last financial audit performed by an Audit Firm, Regulatory Authority, or other external party:**

11/Mar/2016

**15c. Please list the period that the audit covered:**

01/Jan/2015

to

31/Dec/2015

**15d. How frequently does the financial audit occur? (Choose one.)**

Annually (please answer 15f)

**15e. If less than annually, please explain:**

**15f. Are the results of the financial audit publicly available?**

Yes

**15g. Please select the statement that most accurately characterizes the results of the last financial audit: (Choose one.)**

No material exceptions found.

**15h. If minor or material exceptions were found, what actions were taken? Please describe:**

**16. Is an operational audit performed by an Audit Firm, Regulatory Authority, or other external party?**

Yes (please answer 16a)

**16a. If yes, please state the name(s) of the entity(ies) who perform the operational audit.**

KPMG Slovenija, d.o.o.

**16b. Please list the date of your last operational audit performed by an Audit Firm, Regulatory Authority, or other external party:**

09/Feb/2016

**16c. Please list the period that the audit covered:**

01/Jan/2015

to

31/Dec/2015

**16d. How frequently does the operational audit occur? (Choose one.)**

Annually (please answer 16f)

**16e. If less than annually, please explain:**

**16f. Are the results of the operational audit publicly available?**

No

**16g. Please select the statement that most accurately characterizes the results of the last operational audit: (Choose one.)**

No material exceptions found.

**16h. If minor or material exceptions were found, what actions were taken? Please describe:**

## PARTICIPANTS AND PARTICIPATION

---

*The purpose of this section is to understand issues relating to participation in the depository, including eligibility requirements, conditions of participation, and supervision of participants.*

**17. What types of entities are eligible to become participants and how many of each type are there currently? (Choose all that apply.)**

Banks (please answer 17a), Brokers (please answer 17e), Foreign Institutions (please answer 17m), Other entities (please answer 17q)

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

12 + national central bank (as of December 31, 2015)

**17b. Please select the features included in the eligibility requirements for Banks. (Choose all that apply.)**

Regulatory Oversight (please answer 17c)

**17c. Where can a description of the specific eligibility requirements for Bank participants be found?**

Membership requirements are defined by Markets in Financial Instruments Act, KDD Operations Rules and KDD Regulations. There are no special membership requirements for banks. Documents are available on KDD's web site - see answer 7b.

**17d. Please explain:**

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

3 (as of December 31, 2015)

**17f. Please select the features included in the eligibility requirements for Brokers. (Choose all that apply.)**

Regulatory Oversight (please answer 17g)

**17g. Where can a description of the specific eligibility requirements for Broker participants be found?**

Please see answer 17c. There are no special membership requirements for brokers.

**17h. If other, please explain:**

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

**17j. Please select the features included in the eligibility requirements for Individual participants. (Choose all that apply.)**

**17k. Where can a description of the specific eligibility requirements for Individual participants be found?**

**17l. If other, please explain:**

**17m. How many Foreign Institution participants are there currently?**

1 - foreign bank (as of December 31, 2015)

**17n. Please select the features included in the eligibility requirements for Foreign Institution participants. (Choose all that apply.)**

Regulatory Oversight (please answer 17o)

**17o. Where can a description of the specific eligibility requirements for Foreign Institution participants be found?**

Please see answer 17c. There are no special membership requirements for foreign participants.

**17p. If other, please explain:**

**17q. If you have selected "Other entities" above, please explain:**

Insurance Companies, Governmental Funds, Fund Management Companies, Ministry of finance. Those entities and entities listed above are entitled to become KDD members related to settlement activities (i.e. "registry" and "settlement" membership category). In addition, there is a separate membership category dedicated to securities issuers (member issuer), meaning that all entities that issued securities in KDD are also KDD members "issuers".

**17r. Indicate how many "Other entities" are currently participants?**

9 (as of December 31, 2015) In addition, on December 31 2015, there were 592 members issuers.

**17s. Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". (Choose all that apply.)**

Regulatory Oversight (please answer 17t)

**17t. Where can a description of the specific eligibility requirements for participants described above as "Other entities" be found?**

Please see answer 17c.

**17u. If other, please explain:**

**18. Are participants required to contribute capital to the depository that would result in ownership of the depository?**

No

**18a. If yes, what fixed amount is required or what formula is used to determine the appropriate contribution level?**

**18b. If other, please explain:**

**19. Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements?**

Yes

**19a. If other, please explain:**

**Conditions of Participation**

**20. What governs the relationship between the depository and the participants? (Choose all that apply.)**

Relevant law and regulation, Standard participation contract, Established terms and conditions of participation, By-laws of the depository, Rules of the depository

**20a. Please explain:**

**Response Necessary/Eligibility Question**

**21. 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 that the conditions that apply to other participants."**

**Please confirm that assets of foreign investors held by custodians as participants in the depository are held under safekeeping conditions no less favorable than the conditions that apply to other participants.**

Yes (please answer 21b)

**21a. If no, other or not applicable, please explain:**

**21b. Please confirm the basis for the arrangements 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. (Choose all that apply.)**

Relevant Law and Regulation (please answer 21d), Standard participation contract (please answer 21d), Established terms and conditions of participation (please answer 21d), By-laws of the depository (please answer 21d), Rules of the depository (please answer 21d)

**21c. Please explain:**

**21d. For each item in Question 21b that you checked, please briefly supply references or citations to the law (s), regulation(s), or depository rule(s), participation condition(s), or participant contract provision(s), as applicable.**

Markets in Financial Instruments Act (Art. 446 and 447) state that the same conditions apply to any applicant to certain KDD membership category - conditions should not be discriminatory. All other regulations/rules further define participation conditions for each membership category.

**22. How does the depository notify participants of material changes to the conditions of participation? (Choose all that apply.)**

Other (please answer 22a)

**22a. Please explain:**

Wording of Rules and Regulations updates are mailed out prior to amendments or changes take effect. Each participant has the right to comment on proposed rules. Participants usually exercise their right through their Participants Association, which comments or proposes different amendments to the Rules and Regulations before the drafted amendments are approved by the Board of Directors. Rules and procedures may be changed or amended if required either by the change of the market environment and legislation or as a consequence of development of KDD's system. Any amendments to KDD Rules require prior approval of Securities Market Agency (national securities market regulator). All relevant documents are also published on KDD's web site.

### **Governance of Participants**

**23. Who enforces compliance with the depository's conditions of participation? (Choose all that apply.)**

The depository

**23a. Please explain:**

**24. What enforcement actions are available to the enforcement authority? (Choose all that apply.)**

Fines, Restrictions on participation, Suspension of participation, Termination of participation

**24a. Please explain:**

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

Yes (please answer 25a)

**25a. If yes, please explain, including information relative to any suspensions of depository participants:**

In 2015 there was one temporary suspension of participant.

**25b. If other, please explain:**

### **DEPOSITORY 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.*

## **General**

### **26. For which of the following security types do you serve as a depository or clearing system? (Choose all that apply.)**

Government securities, Equities, Corporate bonds, Corporate money market instruments, Others (please answer 26a)

#### **26a. Please name the other security types:**

Mutual fund units

### **27. Is the use of the depository 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). (Choose all that apply.)**

Yes by law for settlement of all instrument types (please answer 27a), Yes by law for safekeeping, but not for all instrument types (please answer 27b)

#### **27a. Please list the instrument types for which it is not compulsory by law to:**

##### **(i) settle in your depository**

Settlement of stock exchange trades (for all instrument types) has to be executed by CSD or other settlement system (subject to agreement between stock exchange and respective settlement system, and approval of Securities Market Agency), that is licensed by Securities Market Agency (or foreign securities market authority, if incorporated abroad) to perform settlement of stock exchange trades. Settlement of stock exchange and off-market trades of all instrument types is executed by KDD by market practice.

##### **(ii) safekeep in your depository:**

Safekeeping of equities (performed by any depository) is compulsory by law, however, safekeeping of equities is by market practice performed by KDD. Safekeeping of other instrument types is not compulsory by law. However, all instruments traded on Ljubljana stock exchange or settled by settlement mechanisms operated by KDD have to be (by law) entered into KDD's central registry of dematerialised securities (KDD acts as the only depository in Slovenia).

#### **27b. Please list the instrument types for which it is not compulsory by market practice to:**

##### **(i) settle in your depository**

Please see answer 27a (i).

##### **(ii) safekeep in your depository:**

Please see answer 27a (ii).

#### **27c. If neither/other, please explain:**

### **28. Settlement and Safekeeping Percentages**

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

All securities issued in Slovenia (securities are considered as issued when entered into central registry of dematerialised securities) are by market practice settled with KDD.

#### **28b. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) held in safekeeping within your institution.**

KDD is the only depository in Slovenia. All securities issued in Slovenia are by market practice entered into KDD's central registry of dematerialised securities.

### **29. Are there any activities performed by a third party on behalf of the depository for the depository participants (e.g., vaulting of physical securities, registration, entitlement processing, etc.)?**

No

29a. If third parties are employed, please indicate which services they supply (then please answer 29b):

29b. If third parties are employed, does the depository assume liability for losses incurred by participants as a result of the actions/inactions of the third parties?

29c. If you acknowledge responsibility, please indicate whether your responsibility is assumed (Choose all that apply.)

29d. If you acknowledge responsibility for agents, your responsibility is assumed for losses (Choose all that apply.)

29e. If other, please explain:

29f. Please specify limit:

29g. Please specify limit:

29h. If other, please explain:

29i. If other, please explain:

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

No

30a. 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. (Choose all that apply.)

30b. Corporate Action. Please specify number of instances:

30c. Corporate Action. Please specify total loss in USD:

30d. Settlement Process - Securities. Please specify number of instances:

30e. Settlement Process - Securities. Please specify total loss in USD:

30f. Settlement Process - Cash. Please specify number of instances:

30g. Settlement Process - Cash. Please specify total loss in USD:

30h. System Outage. Please specify number of instances:

30i. System Outage. Please specify total loss in USD:

30j. If Other, please explain:

30k. For Other, please specify number of instances:

**30l. For Other, please specify total loss in USD:**

**30m. If other, please explain:**

**Other Services**

**31. Who accepts cash deposits (or makes payment credit accommodations) for depository transactions? (Choose all that apply.)**

Central Bank, Neither/others (e.g. credit lines used; please answer 31b)

**31a. Please name banks:**

**31b. If neither/others, please explain:**

All KDD members settling on or off exchange trades. Non-banking members hold dedicated cash accounts with banks.

**32. Who processes cash clearing (or draws on credit lines, if applicable) for depository transactions? (Choose all that apply.)**

Central Bank

**32a. Please name banks appointed by depository:**

**32b. If others, please explain:**

**33. Who controls the movement of cash for cash deposits (or draws on credit lines, if applicable)? (Choose all that apply.)**

Central Bank, Neither/others (please answer 33b)

**33a. Please name banks appointed by depository:**

**33b. If others, please explain:**

KDD members - see 31b.

**34. Who controls the movement of cash for cash clearing (or for draws on credit lines, if applicable)? (Choose all that apply.)**

Depository, Central Bank

**34a. Please name banks appointed by depository:**

**34b. If others, please explain:**

**35. Please indicate services you provide. (Choose all that apply.)**

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., Same day turnaround settlements., Information on distribution of new issues (IPO, Privatization)., Other (please answer 35d)

**35a. Automatic securities lending facility is provided for: (Choose all that apply.)**

**35b. If other please explain:**

**35c. Collateral Handling: please provide details:**

**35d. If other services, please explain:**

- Maintenance of central registry of holders of dematerialised securities (issue, cancelation and replacement of dematerialised securities, share ledger maintenance); - custody services related to corporate actions; - custody services related to take-over bid procedures; - entitlements processing.

**36. What procedures are in place for the processing of corporate action entitlements? (Choose all that apply.)**

Credited to the securities account upon actual receipt by the depository., Corporate action entitlements are handled by an entity separate from the depository. (please answer 36c)

**36a. Credited to the securities account: (Choose all that apply.)**

**36b. If other please explain:**

**36c. Name of entity:**

Corporate action entitlements (dividend and interest/coupon payments) are processed by banks as well.

**36d. If other, please explain:**

**37. What procedures are in place for the processing of interest and dividends?(Choose all that apply.)**

Credited to the cash account upon actual receipt by the depository., Income and dividend collection is handled by an entity separate from the depository. (please answer 37c)

**37a. Credited to the cash account: (Choose all that apply.)**

**37b. If other please explain:**

**37c. Name of entity:**

Interest or dividend payments are processed by banks as well. There is no standard collection procedure or organization specialized in them in the Republic of Slovenia. Issuers, when entitlements come due, fulfil their obligations by themselves (KDD provides the issuer with the bond/share holders' book on the entitlement record date). Usually they go through a bank or more banks and every share or bondholder is promptly notified of details and time limits. KDD may also offer entitlement processing services.

**37d. If other please explain:**

**Linkages With Other Central Securities Depositories (CSD) or International Central Securities Depositories (ICSD)**

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

Unilateral operated direct links (allowing transfers of securities issued in KDD only) to: ICSD Clearstream Banking Luxembourg, ICSD Euroclear Brussels, KDPW (Polish CSD), OeKB (Austrian CSD), Clearstream Banking Frankfurt (German CSD). Unilateral relayed operated link to: LuXCSD (Luxembourg CSD) - via Clearstream Banking Luxembourg. (as of December 31, 2015)

**39. Are procedures and controls (firewalls) in place to avoid systemic collapse or contamination if one of the linked entities should experience business interruptions for whatever reason?**

Yes (please answer 39a)

**39a. Please explain:**

All necessary security measures are in place and subject to membership and operations requirements as defined in KDD Rules and Regulations, and (as requested by linked (I)CSD) by Service Level Agreement between KDD and (I) CSD. Furthermore, pursuant to Book Entry Securities Act, a person in whose account (maintained in central registry) dematerialized securities are registered, is a legal holder of those securities. No segregation or identification procedures are necessary for the existence or enforceability of holder's right (entitlement) to dematerialized securities in the case of insolvency of KDD member, KDD or other depositories or SSS in case that links between them and KDD are established.

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

Yes

**40a. If no or other, please explain:**

**ACCOUNT STRUCTURES AND RECORDKEEPING**

---

*The purpose of this section is to identify the nature of accounts; the naming convention is employed, the level of segregation achieved, accessibility in the event of bankruptcy and the frequency of reporting generated from them.*

**41. Are participants permitted to maintain more than one account at the depository?**

Yes (please answer 41a)

**41a. If yes, please indicate number: (Choose one.)**

An unlimited number of accounts.

**41b. If more than one account what is the maximum?**

**41c. If other, please explain:**

**41d. If other, please explain:**

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

Yes (please answer 42a)

**42a. If yes, is segregation required or simply permitted?**

Required (please answer 42b)

**42b. How does segregation occur? (Choose all that apply.)**

By separately designated participant accounts.

**42c. If other, please explain:**

KDD members (banks, brokers, etc) are, under provisions of Market in Financial Instruments Act, obliged to open separate accounts for their customers. Customers' accounts and assets are technically and legally completely segregated from KDD's members' accounts and assets. There are several types of accounts designated for holding customers' assets: client account, portfolio account and custody (omnibus) account. KDD's members hold their assets on house accounts. For all types of accounts mentioned above, final client level principle applies (i.e. legal owner is also beneficial owner), except for custody (omnibus) account, where legal owner is not a beneficial owner.

**42d. If other, please explain:**

**42e. If other, please explain:**

**43. Does the depository permit its participants to open accounts in the participant's own nominee name(s)?**

Yes (please answer 43a)

**43a. If yes, do laws exist, which define as well as protect the rights of beneficial owners with respect to securities registered in nominee name?**

Yes

**43b. If other, please explain:**

**44. 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:**

**44a. By the participant's clients?**

Yes (please answer 44b)

**44b. 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:**

In such a case clients should reallocate their assets through other depository participants. There would be no delay because of compulsory asset segregation between member's and member clients' securities. If the participant's house account is blocked for any reason, the intervening authorities do have access to such account. Provided that KDD receives necessary court documents and appointment of a bankruptcy manager or liquidator, such person has direct access to the participant's account. If participant's house account is blocked, this – by itself - has no effect whatsoever on clients' accounts of such participant. They can conduct their business normally as their assets are completely segregated from participants' assets. The blockade of participant's account could be (in worst case) accompanied by temporary ban on brokerage services. However this means that its clients need to reallocate their assets to another participant of their choice before they can proceed normally with conduct of their business. Such reallocation does not mean that their assets would be in any danger of seizure by authorities controlling insolvency.

**44c. If other, please explain:**

**44d. By the intervening authorities controlling insolvency or other proceedings?**

No

**44e. If yes, please describe briefly under what conditions access would be granted to the intervening authorities:**

**44f. If other, please explain:**

**44g. By the participant's creditors?**

No

**44h. If yes, please describe briefly under what conditions access would be granted to the participant's creditors:**

**44i. If other, please explain:**

**44j. By the depository's creditors?**

No

**44k. If yes, please describe briefly under what conditions access would be granted to the depository's creditors:**

44I. If other, please explain:

45. In what form does the depository maintain records identifying the assets of each participant? (Choose all that apply. Please refer to "Help" for clarification.)

Computer file (please answer 45b)

45a. If other, please explain:

45b. In which format is the source data maintained?

Database file.

#### Response Necessary/Eligibility Question

46. 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 depository make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?

Yes (please answer 46b)

46a. If no or other, please explain:

46b. If yes, please indicate the scheduled frequency: (Choose one.)

Other (please answer 46c)

46c. If other, please explain:

On-line (real time) access to all information on holdings and transfers through the KDD's information system.

47. What is your document and record retention policy for documents and records described above in this section? (Choose one.)

Other (please answer 47a)

47a. If other, please explain:

Permanently.

#### SETTLEMENTS

---

*The purpose of this section is to identify the model of settlement employed, the relationship between cash and securities, and the basis on which participants meet their obligations.*

48. 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 (Please refer to details on the models within the "Help" section located below this question): (Choose all that apply.)

Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. (please answer 48a), Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. (please answer 48a)

48a. Please briefly describe your settlement process, including how your settlement procedures may vary from the model chosen above (and as described below in the Help section)?

Model 2 applies to stock exchange trades settlement and Model 1 applies to OTC-DVP settlement. Brief description of stock exchange trades settlement: KDD operates a rolling T+2 settlement system (on a trade for trade principle) for all stock exchange trades. All securities transfers (and funds transfers), deriving from Ljubljana Stock Exchange (LJSE) trade, are executed on the day T+2. The final settlement of positions, deriving from stock exchange securities trades, is performed in accordance with the KDD Operations Rules, but explained in much more detail in the provisions of Regulations of KDD on Settlement of Stock Exchange Transactions. Below is presented a timetable for LJSE

transactions settlement in order to fully understand all possibilities in case credit or liquidity risks arise. The KDD operates a settlement cycle T+2 for all trades concluded on the LJSE. The LJSE Rules set out that matched transactions become binding and irreversible at 4:30 p.m. on the trading day (T+0). Information on daily stock exchange transactions are sent to KDD's information system at 2:15 p.m. and become final upon a receipt of explicit confirmation of the LJSE (usually at 3:00 p.m. but not later than 4:30 p.m.). In the case of clearing of the stock exchange transactions, the KDD clears cash obligations and cash claims from both counterparties, employing a multilateral settlement netting method. Employing settlement netting therefore means only pure calculation of net payment obligations and net payment claims arising from transactions without affecting the underlying contract between the original parties to the trade. Settlement members are notified of the final calculation of their positions and the required amount of liquidity reserve, which serves as a liquidity risk management tool. Members have on-line access to information on final calculation. Final calculation is released usually at 3:15 p.m. but not later than 4:45 p.m. on the trading day. Liquidity reserve has to be paid no later than 9.15 the day after the trading day (T+1). On T+1 (until 2 p.m.), KDD sends the list of settlement members' expected net payment obligations on the settlement day (T+2) to Bank of Slovenia, since the final cash leg settlement takes place on accounts with it. On T+2, net-to-pay settlement members have to arrange for the funds transfers from their house accounts or clients' funds accounts to their clearing accounts with TARGET2. At 11.00 a.m. on T+2 they are expected to have cleared their accounts in favour of clearing and settlement account of the KDD within the TARGET2 system. The final cash settlement is processed at 1.00 p.m. on T+2, when the KDD transfers the received funds from its clearing and settlement account to the net-to-receive members clearing accounts. Securities transfers are processed on a gross basis in the same timeframe on T+2 by transferring securities from the seller's account directly to the buyer's account. The role of the KDD is to perform its function as the settlement facilitator and to transfer respective securities. KDD is, according to its Operations Rules, obliged to deliver securities to relevant accounts, but the KDD never acts as the principal or assumes any credit risk, since any default on the securities side is always fully covered only with funds from the Guarantee Fund, which is the main risk mitigation tool. Therefore, the KDD implicitly guarantees settlement of securities by having appropriate risk mitigation measures in place. Since the systems of KDD and Central Bank are "linked", it is possible that the final transfer of securities and the final transfer of net cash positions occur simultaneously on day T+2. For DVP-OTC trades (gross market) BIS model 1 applies. Brief description of the system: »OTC-DVP« buy or sell settlement instruction is posted in KDD's information system by buying/selling member. In case of positive validation, matching is attempted. If not matched successfully at first attempt, recycling procedures start and matching is attempted later. If matched successfully, reservation of securities on the account of the seller is attempted (on intended settlement day). If the reservation is successful, system returns to the receiving agent the reference code that has to be used for cash leg settlement. Afterwards the settlement process is waiting for the buyer to provide cash payment to the KDD's TARGET2 settlement account. After system receives notification on the payment made by the buyer to the KDD's TARGET2 account the settlement procedure is started, where the reserved securities are transferred from the seller's securities account to the buyer's securities account in central registry and the cash is transferred from the KDD cash account to the seller's cash account in TARGET2.

**48b. If other, please explain:**

**Question 48 Help:**

*Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds simultaneously on a trade-by-trade (gross) basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) occurring at the same time as final transfer of funds from the buyer to the seller (payment). The securities settlement system maintains securities accounts and funds accounts for participants. Transfer of securities and cash are made by book-entry.*

*Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. These systems settle securities transfer instructions on a trade-for-trade (gross) basis, with final transfer of securities from the seller to the buyer (delivery) occurring throughout the processing cycle, but settle funds transfer instruction on a net basis, with final transfer of funds from the buyer to the seller (payment) occurring at the end of the processing cycle.*

*The securities settlement system maintains securities accounts for participants, but funds accounts are usually held by another entity (often a commercial bank or the central bank). Securities are transferred by book-entry, such transfer being final at the instant the entries are made on the securities settlement system's books. The corresponding funds transfers are irrevocable, but not final. During the processing cycle, the system calculates running balances of funds debits and credits, the balance being settled at the end of the processing cycle when the net debit and net credit positions are posted on the books of the commercial bank or central bank that maintains the funds accounts. Settlement of funds accounts may occur once a day or several times a day.*

*Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day. The securities settlement system maintains securities accounts for participants. Funds accounts may be maintained by another entity, either a commercial bank or the central bank.*

**49. Are the cash and security movements simultaneous?**

Yes

**49a. If cash and security movements are not simultaneous, please indicate the duration of the timing gap. (Choose one.)**

**49b. If other, please explain:**

**49c. If other, please explain:**

#### OWNERSHIP OF SECURITIES

---

*The purpose of this section is to determine how ownership of securities is represented, the ways the depository maintains ownership or control of securities held in the depository, and the extent to which ownership of assets held by the depository is separated from the proprietary assets of the depository.*

**50. How are depository eligible securities held by the depository?**

Securities in the depository are held in dematerialized form.

**50a. If other, please explain and identify amount held in this other form as a percentage of total depository holdings:**

**51. If depository eligible securities are certificated, can depository eligible securities be held outside of the depository?**

Not applicable

**51a. If certain designated securities are held outside the depository, please indicate under which conditions these securities would be held outside the depository:**

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

**51c. Are these certificates:**

**51d. If registered, how are the depository eligible securities registered?**

**51e. If other, please describe:**

**51f. If in the name of a separate nominee, please identify by name the nominee used:**

**51g. If other, please explain:**

**51h. If depository eligible securities may be held either in or out of the depository, are these certificates:**

**51i. What are the control features for receipt of certificates to the depository (e.g., authentication procedures, re-registration)? Please describe:**

**51j. If other, please explain:**

51k. If other, please explain:

52. If securities are dematerialized:

May dematerialized security positions be re-certificated and held outside the depository?

No (please answer 52a)

52a. Are the securities held: (Choose all that apply.)

Through book-entry at the depository

52b. Please identify which types of entities may act as registrars: (Choose all that apply.)

52c. Please explain:

52d. If the securities held by the depository are recorded by book entry at the registrar, are the securities registered only to the depository, with the depository providing the function of recording ownership on a centralized basis for the market? (Choose all that apply.)

Other (please answer 52l)

52e. If yes, how are securities held at the registrar for the account of the depository? (Choose one.)

52f. Please describe:

52g. If the securities held with the depository are recorded by book-entry at the registrar but are not registered exclusively to the depository, may they be registered to:

52h. Please describe:

52i. If the securities held with the depository 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 depository (e.g., authentication procedures, reconciliation, confirmation of position at registrar)? Please describe:

Not applicable. KDD acts as central depository and registrar.

52j. If other, please explain:

52k. If other, please explain:

52l. If other, please explain:

KDD acts as central depository and registrar.

**Response Necessary/Eligibility Question**

53. Rule 17f-7 requires that an Eligible Securities Depository “maintains records that identify the assets of each participant and segregate the system’s own assets from the assets of participants.”

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

Yes

53a. If other, please explain:

54. Does the law protect participant assets from claims and liabilities of the depository?

Yes

**54a. If other, please explain:**

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

Yes (please answer 55a)

**55a. If yes, for what reasons are liens or similar claims imposed? (Choose all that apply.)**

To secure payment for purchased securities, Other (please answer 55b)

**55b. Please describe:**

In case of default from stock exchange trades, payment to guarantee fund, to ensure payment of penalties and other related costs. Lien extends to assets of defaulting member only and not to assets owned by member's clients.

**55c. Please indicate the limits of this lien as indicated below: (Choose one.)**

**55d. Please explain:**

**55e. If a lien is placed on a participant's account which has been designated for its clients, will the depository select certain securities to be subject to the lien?**

Other (please answer 55n)

**55f. If yes, please indicate whether: (Choose one.)**

**55g. Please explain:**

**55h. If no, please indicate whether the entire account will be subject to the lien.**

**55i. If other, please describe:**

**55j. For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts?**

Yes (please answer 55k)

**55k. If yes, are the restrictions accomplished by:**

Other procedures (please answer 55l)

**55l. Please explain:**

KDD members have the legal right to pledge their clients' securities in case of client's non-payment.

**55m. If other, please explain:**

**55n. If other, please explain:**

If a member has not fulfilled all requirements as specified in KDD's rules and regulations, KDD can be put a lien only on securities booked on member's house account. Member's clients' assets are completely segregated from members' assets.

**55o. If other, please explain:**

## 56. Transfer of Legal Ownership

Does the depository have legal authority to transfer title to securities?

Other (please answer 56e)

56a. When does title or entitlement to depository securities pass between participants? (Choose one.)

56b. Please describe:

56c. Where does title or entitlement to depository securities pass between participants? (Choose one.)

On the depository books

56d. Please describe:

56e. If other, please explain:

Generally, title to securities is transferred upon instruction of KDD members. However, pursuant to Book Entry Securities Act, Arts. 24, 27 and 36 state bodies or holders of public powers are also empowered to delegate to CSD to make entries into central registry (securities issuance/deletion/transfers and encumbrance attachments). transfer title to securities only in certain cases (e.g. court order, inheritance).

## HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT

---

*The purpose of this section is to consider the process (and any risk inherent within such a process) that involves the safekeeping of client assets while they are being removed from a depository and being lodged into a depository.*

57. How are eligible securities lodged (that is, placed) in the depository system? (Choose all that apply.)

Other (please answer 57a)

57a. Please describe:

KDD acts as central depository and registrar, and operates in completely dematerialised environment.

58. When are securities lodged into the depository reflected in a participant's depository account? (Choose all that apply.)

Not applicable

58a. Please explain:

59. How long does it usually take to lodge securities with the depository? (Choose one.)

Not applicable

59a. Please specify:

59b. If other, please explain:

60. During the process of lodging securities into the depository, can the securities:

Be traded?

Not applicable

60a. During the process of lodging securities into the depository, can the securities:

Be settled?

Not applicable

**60b. During the process of lodging securities into the depository, can the securities:**

**Have ownership transferred?**

Not applicable

**60c. If they cannot be traded, or if you answered other, please explain:**

**60d. If they cannot be settled, or if you answered other, please explain:**

**60e. If ownership cannot be transferred, or if you answered other, please explain:**

**61. Are securities immediately available for delivery upon transfer to the depository?**

Not applicable

**61a. If no: Securities are unavailable for:**

**61b. If more than 4 weeks, please specify:**

**61c. If other, please explain:**

**61d. If other, please explain:**

**62. Please describe briefly the arrangements/procedures/facilities you maintain to ensure that eligible securities held at the depository are handled at least as efficiently as compared to securities held outside the depository, particularly in relation to income, corporate actions and proxy services.**

Not applicable. Please see above.

**63. What transfer process steps are involved when eligible securities are withdrawn from the depository for safekeeping? (Choose one.)**

Not applicable.

**63a. Please specify:**

**64. How long does it usually take to remove securities from the depository? (Choose one.)**

Not applicable

**64a. Please specify:**

**64b. If other, please explain:**

**65. While the securities are being removed from the depository, can they:**

**65a. Be traded? (Choose one)**

Not applicable

**65b. Please explain:**

**65c. Be settled?**

Not applicable

**65d. Please explain:**

**65e. Have ownership transferred?**

Not applicable

**65f. Please explain:**

STANDARD OF CARE

---

*The purpose of this section is to understand the responsibility and liability that the depository has in providing services to its participants/members in the settlement and clearing of securities and/or cash, and to understand what type of protections exist for participants in the event of a participant failure/default.*

**Depository Liability**

**66. Does the depository accept liability (independent of any insurance coverage) for the following:**

**66a. Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants?**

Not applicable

**66b. If yes, please check all of the following that apply:**

**66c. If other, please explain:**

**66d. If other, please explain:**

**66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository that result in direct damages or losses to participants?**

Other (please answer 66h)

**66f. If yes, please check all of the following that apply:**

Other (please answer 66g)

**66g. If other, please explain:**

**66h. If other, please explain:**

If an unlikely event of default, negligence or fraud on the part of the KDD or any other such third party (i.e. KDD member that maintains/operates securities account) should nonetheless occur, strict liability is envisaged both by general rules of Code of obligations governing liability for damages as well as by special rules of Book entry securities act. The liability of KDD members and of KDD for default, negligence or fraud covers both actual damages and the loss of profit caused by such misconduct. The injured party (e.g. holder of securities) is entitled to full compensation.

**66i. Failure of the depository's systems that result in direct damages or losses to participants because they cannot use either securities or funds?**

Yes (please answer 66j)

**66j. If yes, please check all of the following that apply:**

Other (please answer 66k)

**66k. If other, please explain:**

Please see answer 66h.

**66l. If other, please explain:**

**66m. Any direct damages or losses to participants caused by the depository due to its errors, omissions or fraud?**

Other (please answer 66p)

**66n. If yes, please check all of the following that apply:**

**66o. If other, please explain:**

**66p. If other, please explain:**

Please see answer 66h.

**66q. Any direct damages or losses to participants caused by the depository in its capacity as a central counterparty?**

Not applicable

**66r. If yes, please check all of the following that apply:**

**66s. If other, please explain:**

**66t. If other, please explain:**

**66u. Does the depository guaranty settlement?**

Other (please answer 66w)

**66v. Please explain how this is accomplished. What are the procedures and safeguards that permit the depository to guaranty settlement?**

**66w. If other, please explain:**

KDD has various procedures in place in case of default in stock exchange transactions in order to fulfil obligations of both parties (guarantee fund, pledge, buy-in, etc). KDD's liability for any obligations deriving from the Ljubljana Stock Exchange trades settlement is limited to the assets of the guarantee fund (consists of members' funds only) and does not in any manner whatsoever extend to KDD's own assets. In that way, KDD does not perform functions of a central counterparty (CCP) nor it assumes risks of possible member's defaults in obligations arising from stock exchange transactions. KDD does not guarantee off-exchange transactions settlement.

**66x. Any direct damages or losses to participants caused by the depository as a result of force majeure events, acts of God, or political events, etc.?**

No

**66y. If yes, please check all of the following that apply:**

**66z. If other, please explain:**

**66~. If other, please explain:**

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

No

**66\*. Please define the standard of care applied:**

**66!. If other, please explain:**

**67. Do the depository's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the depository in the form of?**

**67a. Indemnification**

Yes (please answer 67b)

**67b. Please explain (then please answer 67c):**

The rules that apply in such cases are to be found in the Code of Obligations and in the Book Entry Securities Act. As KDD is a private corporation that also represents the scope, extent of liability to its participants – KDD is liable with its total assets.

**67c. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

Please see answer 67b.

**67d. Insurance**

Yes (please answer 67e)

**67e. Please explain (then please answer 67f):**

Dedicated insurance policy covers KDD's operational errors, omissions, computer fraud.

**67f. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

Please see answer 67e.

**67g. Acknowledgement of liability for losses caused by depository's own actions.**

Other (please answer 67h)

**67h. Please explain (then please answer 67i):**

Please see answer 67b.

**67i. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

Please see answer 67b.

**67j. Other**

No

**67k. Please explain (then please answer 67l):**

Please see answer 67b.

**67l. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

Please see answer 67b.

**68. Is the depository immune from legal action in its own jurisdiction?**

No

**68a. If other, please explain:**

**Security Control**

**69. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? (Choose all that apply.)**

By direct electronic link

**69a. Please explain:**

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

Yes (please answer 70a)

**70a. How is access given to participants? (Choose all that apply.)**

By direct electronic link (please answer 70b)

**70b. Please select type of electronic link:**

Secured, leased, dedicated telephone line, Internet

**70c. Please explain:**

**70d. If other, please explain:**

**71. Regarding data security:**

**71a. Are passwords used by participants to access their accounts?**

Yes

**71b. If other, please explain:**

**71c. Does each user have a unique user ID?**

Yes

**71d. If other, please explain:**

**71e. Are passwords regularly changed?**

Yes (please answer 71f)

**71f. How often?**

Monthly.

**71g. If other, please explain:**

**71h. Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?**

Yes (please answer 71i)

**71i. How many?**

3

**71j. If other, please explain:**

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

Yes (please answer 72a)

**72a. Please explain:**

The depository communicates with other entities such as stock exchange, payment system via Internet, via secured, leased, dedicated telephone lines, via SWIFT.

**73. How does the depository communicate with other market entities?**

**73a. Stock Exchanges (Choose all that apply.)**

Internet, Paper/other

**73b. Payment Systems (Choose all that apply.)**

Secured, leased, dedicated telephone line, Internet, Paper/other

**73c. Clearing Houses (Choose all that apply.)**

Not applicable

**73d. Registrars (Choose all that apply.)**

Not applicable

**74. How is access to the physical building controlled? (Choose all that apply.)**

By guards, By electronic keys/personal ID card, By alarm system

**74a. Please explain:**

**75. What are the vault security procedures for the safekeeping of physical paper? (Choose all that apply.)**

Not applicable; no vault is maintained

**75a. Please indicate frequency of vault counts:**

**75b. Please explain:**

**Participant Default Protections Resulting from a Participant Failure**

**76. If a participant defaults, how is the loss covered? (Choose all that apply?)**

The depository guaranty fund covers the loss, Loss is shared among participants (please answer 76b)

**76a. Please explain the process:**

**76b. Please explain the process of how the loss is shared: (Choose one.)**

Pro-rata based on participant's volume

**76c. If other, please explain:**

**76d. Please explain:**

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

No

**77a. How was the situation resolved? Or if you answered "Other," then please explain:**

**78. Does the depository have a guaranty fund independent of stock exchange or other market guarantees?**

Yes (please answer 78a)

**78a. If yes, please respond to the following questions:**

**What is the size of the fund (then please answer 78b)?**

1,213,958 EUR (as of December 31, 2015).

**78b. How is the size of the fund determined? (Choose one.)**

Other (please answer 78c)

**78c. If other, please explain:**

Detailed description of Guarantee Fund composition, usage, management, asset yields, etc. are to be found in Regulations of KDD on settlement of stock exchange transactions. Contributions are made in cash. The following types of contributions to the Guarantee Fund exist: (1) annual basic contributions (the same amount is applied to each member), which are determined by the sum of all settlement members' obligations for all their stock exchange transactions executed during a specific period, (2) monthly additional contributions (determined individually for each member) in the amount determined by the extent and amount of the member's own obligations from stock exchange transactions executed during a specific period, and (3) supplementary contributions, actually representing replenishment of the Guarantee Fund (determined individually for each member in relation to its share under the liability for fulfilment of obligation of another settlement member), which are required when a payment is performed on behalf of the Guarantee Fund in case of delivery or payment failure. Supplementary contributions are required every time the remaining value of the Guarantee Fund falls below the specified share of initial total amount of the Guarantee Fund. In this regard, the non-defaulting members therefore guarantee the settlement with their whole liquidity. Supplementary contributions are refunded after (if) the payment claim against the defaulting settlement member, whose obligation was fulfilled using assets of the Guarantee Fund, is exercised.

**78d. How is the fund financed? (Choose one.)**

Contributions from participants (please answer 78f)

**78e. If so, what is the amount or percentage per owner?**

**78f. If so, what is the amount or percentage per participant?**

Please see answer 78c.

**78g. If other, please explain:**

**78h. Who is covered by the fund? (Choose all that apply.)**

Direct depository participants only, The beneficial owner also

**78i. If other, please explain:**

**78j. When is the guaranty fund used? (Choose all that apply.)**

When a broker defaults, When a direct participant defaults

**78k. If other, please explain:**

**78l. If other, please explain:**

**79. Does the depository have forms of oversight management for assessing and monitoring of the following? (Choose all that apply.)**

Participant eligibility requirements, Participant volumes, Participant financial strength, Other loss or default protections the depository maintains (please answer 79a), Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d), Blocking of securities movement before receipt of payment, Blocking payment until securities are moved, Other forms of risk management used for assessing and monitoring participant exposures (please answer 79i)

**79a. Please explain other loss or default protections:**

Please see answer 99, because the field is too short for explanation required.

**79b. Please explain the requirements:**

**79c. Please explain how these debit caps work:**

**79d. What type or types of settlement controls (Choose all that apply.)**

Blocking or freezing of securities positions (please answer 79e), Controlling DVP settlement (please answer 79f), Simultaneous DVP (please answer 79g), Other (please answer 79h)

**79e. Please explain:**

Please see answer 79a.

**79f. Please explain:**

Please see answer 79a.

**79g. Please explain:**

Please see answer 79a.

**79h. Please identify and explain:**

Please see answer 79a.

**79i. Please explain briefly how these work:**

Please see answer 79a.

**80. Does the stock exchange have default protections that extend to the depository, such as the following? (Choose all that apply.)**

Financial requirements for stock exchange membership

**80a. Please explain:**

## **BUSINESS RECOVERY PLAN**

---

*This section is intended to identify key aspects of the depository'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.*

**81. Do you have a formal business recovery plan?**

Yes (please answer 81a)

**81a. Does your Business Recovery Plan include: (Choose all that apply.)**

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

**81b. Please identify both the frequency and the last date of testing for the following third party:**

**Depository participants/members**

Daily control lists as integral part of the Business Continuity Plan.

**81c. Please identify both the frequency and the last date of testing for the following third party:**

**Stock exchange**

Daily, weekly control lists as integral part of the Business Continuity Plan.

**81d. Please identify both the frequency and the last date of testing for the following third party:**

**Central bank**

Quarterly tests.

**81e. Please identify both the frequency and the last date of testing for the following third party:**

**Local brokers**

Daily control lists as integral part of the Business Continuity Plan.

**81f. Please identify both the frequency and the last date of testing for the following third party:**

**Any other third party**

On yearly basis KDD performs, together with Ljubljana Stock Exchange and KDD members, integral BCP test, which comprises recovery of KDD's settlement system operations and stock exchange operations. Members test connectivity to both KDD and Ljubljana Stock Exchange secondary systems, and execution of trading and settlement procedures on the secondary location. As a part of a test, also a reallocation of relevant KDD staff is performed. Furthermore, regular start-up tests of all emergency procedures in KDD's disaster recovery location in Koper are performed on a quarterly basis. In addition, partial tests of individual system components are performed on continuous basis.

**81g. If other, please explain:**

**81h. If other, please explain:**

**82. How quickly can the main system be reactivated in the event of an outage? (Choose one.)**

1 - 4 hours

**82a. If other, please explain:**

**83. If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing? (Choose one.)**

1 - 4 hours

**83a. If other, please explain:**

**84. Will the depository publicly announce any system interruption?**

Yes (please answer 84a)

**84a. To whom will the depository disclose any system interruptions? (Choose all that apply.)**

To the depository regulators, To all direct participants, Other (please answer 84d)

**84b. If so, please list webpage address:**

**84c. If so, please list all publications:**

**84d. Please explain:**

Ljubljana Stock Exchange, Bank of Slovenia (central bank).

**84e. How will the depository disclose any system interruptions? (Choose all that apply.)**

By e-mail, By telephone

**84f. Please explain:**

**84g. If other, please explain:**

**85. In the past three years, has it been necessary to activate the recovery plan in a live situation?**

No

**85a. If yes, how much time was needed to implement the recovery plan? (Choose one.)**

**85b. How much time was needed to recover and restore business to normal operations? (Choose one.)**

**85c. What was the impact to the market? (Choose all that apply.)**

**85d. If other, please explain:**

**85e. If other, please explain:**

#### PERFORMANCE, INSURANCE, AND LOSS

---

*This section is intended to identify the level of insurance maintained by the depository, and the extent to which coverage would extend to financial loss incurred by participants and their clients, including but not limited to losses resulting from operating performance, security breaches, and employee negligence or misconduct.*

**86. Has there been any material loss by the depository during the past three years?**

No

**86a. If there has been a loss, please describe the cause, the final impact and the action taken to prevent a recurrence:**

**86b. If other, please explain:**

**87. Has the depository been subject to any litigation involving a participant during the past three years?**

No

**87a. Please explain the circumstances and resolution:**

**87b. If other, please explain:**

**88. Has the depository realized revenues sufficient to cover expenses during the past three years? (Choose one.)**

Yes for all three years

**88a. If other, please explain:**

**89. Does the depository maintain a reserve for operating losses?**

Yes (please answer 89a)

**89a. Please describe and indicate reserve amount:**

5,559,081 EUR of Other revenue reserves (as part of Revenue reserves); 917,500 EUR of Provisions (as of December 31, 2015)

**89b. If other, please explain:**

**90. Has the regulatory body with oversight responsibility for the depository issued public notice that the depository is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?**

No

**90a. Please describe:**

**90b. 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 depository?**

Other (please answer 90e)

**90c. If yes, please describe:**

**90d. If no, why not?**

**90e. If other, please explain:**

Not applicable.

**90f. If other, please explain:**

**91. Does the depository have insurance to cover losses in the event of Default on settlement commitments by the depository or a participant?**

No

**91a. What is the amount of the coverage?**

**91b. What is the amount of the deductible?**

**91c. If other, please explain:**

**92. Does the depository 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)?**

No

**92a. What is the amount of the coverage?**

**92b. What is the amount of the deductible?**

**92c. If other, please explain:**

**93. Does the depository have insurance for Operational Errors?**

Yes (please answer 93a)

**93a. What is the amount of the coverage?**

1,000,000 EUR

**93b. What is the amount of the deductible?**

2,000 EUR

**93c. If other, please explain:**

**94. Does the depository have Errors and Omissions insurance?**

Yes (please answer 94a)

**94a. What is the amount of the coverage?**

1,000,000 EUR

**94b. What is the amount of the deductible?**

2,000 EUR

**94c. If other, please explain:**

**95. Does the depository have insurance for the Premises?**

Yes (please answer 95a)

**95a. What is the amount of the coverage?**

Insurance relates to entire building. KDD premises represent just a part of it.

**95b. What is the amount of the deductible?**

Please see above.

**95c. If other, please explain:**

**96. Does the depository have any other insurance?**

Yes (please answer 96a)

**96a. If so, what is it for?**

Computer equipment, office furniture and other office equipment.

**96b. What is the amount of the coverage?**

1.140.000 EUR

**96c. What is the amount of the deductible?**

No deduction.

**96d. If other, please explain:**

**97. 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.**

Insurance company Zavarovalnica Triglav d.d. Insurance policy for the building: Generali zavarovalnica d.d.

**97a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)**

Not applicable.

**97b. What is the term of the policy?**

10-year

**97c. Who does the insurance cover? (Choose all that apply.)**

Depository, Direct depository participants, Final investors

**97d. If other, please identify:**

Computer equipment, office furniture and other office equipment.

**98. 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:**

KDD Settlement risk management 2015 (AGC).docx

**98a. Upload document here:**

PUBLIC AVAILABILITY

---

**99. The AGC encourages respondents/depositories to make their answers to this questionnaire publicly available. Will you be making your response publicly available? (For additional guidance, please review the help feature to this question.)**

Yes (please answer 99a)

Question 99 Help: The AGC suggests that you consider making your completed questionnaire available to the public - either in response to requests or, if possible, by posting it on a web site. The information provided in response to the questionnaire will be used by the member banks of the Association in compiling Rule 17f-7 risk analyses and may also be furnished by members to U.S. investment companies. The information may also be furnished to other types of institutional investors, or to other parties who have an interest in the securities markets of various countries. However, the Association does not intend to release questionnaire responses directly to the general public. (For these reasons, the members of the Association cannot assure that responses will be treated as confidential or that responses will not become public.)

**99a. If yes, how will you be making it publicly available: (Choose all that apply.)**

Web site (please answer 99b)

**99b. Please provide web site address of publicly available questionnaire:**

<http://www-en.kdd.si/>

**99c. Please provide name of contact at depository who has been designated to receive such requests (then please answer 99d).**

**99d. How would they prefer to be contacted? (Choose all that apply.)**

**99e. Please provide telephone number:**

99f. Please provide facsimile number:

99g. What is the preferred street address for mailing requests?

99h. What is the preferred e-mail address for such requests:

99i. If other, please describe how you will be making the questionnaire publicly available:

100. Association members from time to time receive requests from their direct investor-clients for an informational copy of a depository's completed questionnaire. Such requests typically lead to interactions between personnel at the depository 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 Association members delivering a copy of your completed questionnaire to the member's direct client in response to the client's request?

Yes

Please provide any comments you have regarding the questionnaire.

You have reached the end of the questionnaire. Please be sure your contact details are updated. Your contact information is located in the first section of Part One within this questionnaire.

Please also be sure to print your responses and review them prior to changing Datasheet Progress to "Completed" under Part Two. (To print, select the printer friendly link at the top of the questionnaire.) When you are prepared to submit your answers, please return to Part One and Part Two of the questionnaire and change Datasheet Progress to "Completed". The members of The Association of Global Custodians thank you for your time and for your helpful response.