


# The Association of Global Custodians - Questionnaire 2020 - 2021

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## 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:

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### 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- \* Please deselect/uncheck any responses in the sub-questions where those responses are no longer applicable.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- \* Any responses that appear in open text boxes should be deleted if the information is no longer applicable.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
- No (please answer 1a)
- Other (please answer 1a)

**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 as or operate a transnational system for the central handling of securities or equivalent book-entries? (please answer 2b)
- Act in another capacity with respect to the handling of securities or equivalent book-entries? (please answer 2a)
- Not applicable (please answer 2a)
- Other (please answer 2a)

### 2a. Please explain:

- clearing and settlement of the Ljubljana Stock Exchange trades,
- settlement of all off-market 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.)

- Public Company
- Private Company
- Central Bank (or part thereof)
- Stock Exchange (or part thereof)
- Other (please answer 3a)

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

- For profit
- Not for profit
- Other (please answer 4a)

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

MANAGEMENT COMPANIES 0,6%, OTHER PRIVATE INVESTORS 89,6%, OWN SHARES 9,8% (as of December 31, 2019)

### 6. Please answer the following:

**6a. What is the date of establishment of the depository?** 09/01/1995

**6b. What is the date that the depository's operations began?** 20/08/1995

### 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)
- Market in Financial Instruments Act (ZTFI-1),
- 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 Opeartions Rules and KDD Regulatory Technical Procedures).

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

Yes (please answer 7b)

No

**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-tvp.si/eng/rs-legislation/rs-legislation>

KDD's Rules and Procedures:

<https://www-en.kdd.si/rules-regulations-and-price-list>

**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 Art. 255 of Companies Act (ZGD-1), any natural person with legal capacity may be appointed member of Board of Directors Member (i.e. Supervisory Board), other than a person who:

- is already a member of another KDD's management or supervisory body,
- has been finally convicted of a criminal offence against the economy, labour relations and social security, legal transactions, property, the environment, space and natural resources.

Such a person may not be appointed member of Board of Directors for five years after serving the sentence;

- is subject to a preventive measure prohibiting it from pursuit its profession, for the duration of the prohibition; or
- who, acting as a member of the management body of a company for which bankruptcy proceedings are instituted, has been pronounced liable to pay damage to the creditors in accordance with the act governing damage liability in financial operations of companies for a period of two years after the court ruling becomes final and absolute.

New member of Board of Directors shall, together with its application for registration, submit a written statement of non-existence of circumstances that would prevent him from being appointed as member under the provisions of this Act.

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

Board Members are elected by the General Meeting of Company Members.

**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 Company Members.

## 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.
- A membership organization which regulates the participation of its members in securities matters or other financial activities.
- Other (please answer 8a)

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

Securities Market Agency (independent national regulator of securities market, responsible to the parliament) and Bank of Slovenia (Central Bank) are relevant authorities for supervision of KDD's operations/functions pursuant to Regulation (EU) No 909/2014.

## 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?
- Other (please answer 10a)

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.
- Other (please answer 11b)

### 11b. Please explain:

- Warning,
- Order for elimination of violations, which may include request to amend or supplement CSD Operations Rules.

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

Bank of Slovenia (central bank)

#### 11c.

- Fines
- Restrictions on depository activities.
- Suspension of depository activities.
- Termination of depository activities.
- Other (please answer 11d)

**11d. Please explain:**

Enforcement actions should be agreed with Securities Market Agency.

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

- Yes (please answer 12a)
- No
- Other (please answer 12a)

**Capital**

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

- Yes (please answer 13a)
- No (please answer 13e)
- Other (please answer 13h)

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

- Yes (please answer 13b)
- No (if no, please send a copy of the annual report to the Washington office of Baker & McKenzie, 815 Connecticut Ave., NW, Washington, DC 20006, Attn: Robin Truesdale)

**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):  
<https://www-en.kdd.si/about-kdd/organisation-and-management>  
annual report (slovenian version only):  
<https://www.kdd.si/poslovanje/objave>

**Internal Audit**

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

- Yes (please answer 14a)
- No (please proceed to 15)

**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:** 23/09/2020

**Please list the period that the audit covered:** 31/12/2019 **to** 29/06/2020

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

- Two or more times a year (please answer 14e)
- Annually (please answer 14e)
- Less than annually (please answer 14d)

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

- Yes
- No

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

- No material exceptions found.
- Minor exceptions found. (please answer 14g)
- Material exceptions found. (please answer 14g)

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

- Yes (please answer 15a)
- No (please proceed to 16)

**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:**

25/03/2020

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

31/12/2018 **to** 30/12/2019

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

- Two or more times a year (please answer 15f)
- Annually (please answer 15f)
- Less than annually (please answer 15e)

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

- Yes
- No

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

- No material exceptions found.
- Minor exceptions found. (please answer 15h)
- Material exceptions found. (please answer 15h)

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

- Yes (please answer 16a)  
 No (please proceed to 17)

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

KPMG Slovenija, d.o.o.

Operational audit is part of financial audit. There is no legal requirement for separate operational audit.

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

25/03/2020

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

31/12/2018 to 30/12/2019

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

- Two or more times a year (please answer 16f)  
 Annually (please answer 16f)  
 Less than annually (please answer 16e)

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

- Yes  
 No

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

- No material exceptions found.  
 Minor exceptions found. (please answer 16h)  
 Material exceptions found. (please answer 16h)

**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)  
 Individuals (please answer 17i)  
 Foreign Institutions (please answer 17m)  
 Other entities (please answer 17q)  
 Not applicable

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

11 banks + national central bank (as of December 31, 2019)

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

- Financial Thresholds (please answer 17c)  
 Regulatory Oversight (please answer 17c)  
 Market Experience (please answer 17c)

Other (please answer 17d)

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

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

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

2 (as of December 31, 2019)

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

- Financial Thresholds (please answer 17g)
- Regulatory Oversight (please answer 17g)
- Market Experience (please answer 17g)
- Other (please answer 17h)

**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.

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

2 - foreign banks (as of December 31, 2019)

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

- Financial Thresholds (please answer 17o)
- Regulatory Oversight (please answer 17o)
- Market Experience (please answer 17o)
- Other (please answer 17p)

**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.

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

Insurance Companies, State owned Fund management companies, Fund Management Companies, Ministry of finance, Central bank. Those entities and entities listed above are entitled to become KDD system-members related to settlement activities. 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?**

7 (as of December 31, 2019)

In addition, there were 445 members issuers (as of December 31, 2019).

**17s. Please select the features included in the eligibility requirements for the participants referred to above as "Other**



**entities". (Choose all that apply.)**

- Financial Thresholds (please answer 17t)
- Regulatory Oversight (please answer 17t)
- Market Experience (please answer 17t)
- Other (please answer 17u)

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

Please see answer 17c.

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

- Yes (please answer 18a)
- No
- Not applicable
- Other (please answer 18b)

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

- Yes
- No
- Not applicable
- Other (please answer 19a)

**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
- Bye-laws of the depository
- Rules of the depository
- Other (please answer 20a)
- Not applicable

**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 than 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)
- No (please answer 21a)
- Not applicable (please answer 21a)
- Other (please answer 21a)

**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)
- Other (please answer 21c)

**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. 444) requires KDD to set non-discriminatory membership requirements for all entities eligible to become a CSD member. KDD Operations Rules and Regulatory Technical Procedures 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.)**

- By e-mail
- By telephone
- By public announcement
- By press release
- Other (please answer 22a)
- Not applicable

**22a. Please explain:**

KDD shall present the proposal of amendment of Operations Rules to the system members and Users committee at least fifteen days before the date of the session of the board of directors where the latter is set to decide on accepting said amendments.

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
- The exchange
- The depository's regulator
- Other (please answer 23a)
- Not applicable

**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
- Other (please answer 24a)
- Not applicable

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

- Yes (please answer 25a)
- No
- Not applicable
- Other (please answer 25b)

**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.*

**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)
- Not applicable

**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 of all instrument types (please answer 27a)
- Yes by market practice for settlement of all instrument types (please answer 27b)
- Yes by market practice for safekeeping of all instrument types (please answer 27b)
- Yes by law for settlement, but not for all instrument types (please answer 27a)
- Yes by law for safekeeping, but not for all instrument types (please answer 27a)
- Yes by market practice for settlement, but not for all instrument types (please answer 27b)
- Yes by market practice for safekeeping, but not for all instrument types (please answer 27b)
- Neither/other (please answer 27c)

**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).

**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.)?**

- Yes (please answer 29a)
- No
- Not applicable
- Other (please answer 29i)

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

T2S - Eurosystem (partly) performs settlement  
SWIFT - SWIFT messaging network

**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?**

- Yes (please answer 29c)
- No

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

- regardless of whether such loss was caused by any action or inaction of the agent (please answer 29d)
- 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 (please answer 29d)
- 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 (please answer 29d)
- if the loss was caused by the willful default or other willful conduct on the part of the agent (please answer 29d)
- Other (please answer 29e)

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

- without limit
- which are not consequential losses
- subject to a monetary limit not based on insurance limits (please answer 29f)
- subject to a monetary limit based on insurance limits (please answer 29g)
- Other (please answer 29h)

**29h. If other, please explain:**

KDD shall be liable for any potential errors, shortcomings or other damage that might occur to users of KDD services as a result of actions of the Eurosystem or its members regarding the management and operation of T2S, but only to the amount of damage for which the Eurosystem is liable to KDD. KDD shall not be liable for the choice of T2S nor shall it give any assurance as to its operation.

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

- Yes (please answer 30a)
- No
- Not applicable
- Other (please answer 30m)

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

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

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

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

**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.)**

- Depository
- Central Bank
- Banks appointed by depository (please answer 31a)
- Neither/others (e.g. credit lines used please answer 31b)
- Not applicable

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

KDD system members shall ensure the use of a dedicated cash account (DCA) in T2S for settling OTC, on-exchange and other transactions involving payments.

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

- Depository
- Central Bank
- Banks appointed by depository (please answer 32a)
- Neither/others (please answer 32b)
- Not applicable

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

- Depository
- Central Bank
- Banks appointed by depository (please answer 33a)
- Neither/others (please answer 33b)
- Not applicable

**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
- Banks appointed by depository. (please answer 34a)
- Neither/others (please answer 34b)
- Not applicable

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

KDD members - see 31b.

**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.
- In order to avoid fails, an automatic securities lending facility - if requested - is provided for. (please answer 35a)
- Collateral handling in support of activities including securities lending, overdraft coverage, cash management, repurchase agreements, etc. Please provide details. (please answer 35c)
- Same day turnaround settlements.
- Information on distribution of new issues (IPO, Privatization).
- Other (please answer 35d)
- Not applicable

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

- clearing and settlement of the Ljubljana Stock Exchange trades,
- settlement of all off-market 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.

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

- Credited to the securities account on the day indicated below regardless of whether actually collected by the depository on the scheduled date. (please answer 36a)
- 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)
- Not applicable
- Other (please answer 36d)

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

- Credited to the cash account on the day indicated below regardless of whether actually collected by the depository on the scheduled date. (please answer 37a)
- 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)
- Not applicable

Other (please answer 37d)

## **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).

Unilateral relayed operated link to:

LuXCSD (Luxembourg CSD) - via Clearstream Banking Luxembourg.

(as of December 31, 2018)

### **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)

No (please answer 39a)

Other (please answer 39a)

Not applicable

### **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 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

No (please answer 40a)

Other (please answer 40a)  Not applicable

## **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)

No

Not applicable

Other (please answer 41d)

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

An unlimited number of accounts.

More than one account (please answer 41b and indicate how many)

Other (e.g. subaccounts) (please answer 41c)

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

Yes (please answer 42a)

No

Not applicable

Other (please answer 42d)

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

- Required (please answer 42b)
- Permitted (please answer 42b)
- Other (please answer 42e)

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

- By separately designated participant accounts.
- By sub-accounts within a single participant account.
- By separately designated beneficial owner accounts.
- Other - e.g. share registration (please answer 42c)

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

- Yes (please answer 43a)
- No
- Other (please answer 43b)
- Not applicable

**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
- No

**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)
- No
- Not applicable
- Other (please answer 44c)

**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:**

KDD Operations rules provides that transfer orders that are regularly submitted to the central registry through a system member, may also be submitted to central registry by KDD itself (should this be legally required or useful). Client shall contact KDD to address such issues as they occur.

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

- Yes (please answer 44e)
- No
- Not applicable
- Other (please answer 44f)

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

- Yes (please answer 44h)
- No
- Not applicable
- Other (please answer 44i)

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



- Yes (please answer 44k)
- No
- Not applicable
- Other (please answer 44l)

**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)
- Microfiche (please answer 45b)
- Hard copy (please answer 45b)
- Computer tape (please answer 45b)
- Other (please answer 45a)

**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)
- No (please answer 46a and then proceed to 48)
- Other (please answer 46a)

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

- Daily
- Weekly
- Monthly
- Quarterly
- Annually
- Upon request
- Other (please answer 46c)

**46c. If other, please explain:**

On-line (real time) access to all information on holdings and transfers through the GUI (Klient), and also via web-services or SWIFT.

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

- 6 months or less
- 1 year
- 3 years
- 5 years
- 7 years
- 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)
- Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. (please answer 48a)
- Not applicable
- Other (please answer 48b)

**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)?**

Stock exchange settlement

Trades concluded on Ljubljana Stock Exchange (LJSE) are settled on T+2. Settlement is executed in line with KDD Operations Rules. BIS Model 3 applies to stock exchange trades settlement.

Information on daily stock exchange transactions are sent to KDD's information system in single batch by 15:25 p.m. at the latest. KDD creates a file containing all received information and immediately asks LJSE for final confirmation. Trades become final as LJSE confirms this information - by 4:30 p.m. at the latest. KDD clears cash obligations and cash claims from respective counterparties, employing a multilateral technical settlement netting method - without affecting underlying contracts between the parties to the trade.

Settlement members are notified on final calculation of their positions and the required amount of liquidity reserve (serves as a liquidity risk management tool) by 4:45 p.m. on trading day at the latest. Members have on-line access to this information. Liquidity reserve should be paid by 10.00 a.m. on T+1. Settlement members should arrange sufficient positions on sellers' securities accounts and cash funds on respective DCAs by 10.00 a.m. on T+2. Final settlement of securities and cash is executed by 3.00 p.m. on T+2 at the latest.

The role of the KDD is to perform its function as the settlement facilitator and to transfer respective securities. KDD never acts as principal or assumes any credit risk. Eventual member's default is always covered only with funds from the Guarantee Fund, which is the main risk mitigation tool.

OTC settlement

For OTC-DVP transactions settlement BIS model 1 applies.

Generic description of OTC settlement: Instructing party sends its settlement instruction to KDD's CRVP - Central Registry System (via SWIFT, direct input in Klient, XML msg. import). CRVP performs settlement instruction validation. In case of negative validation CRVP rejects the settlement instruction and informs the instructing party. In case of positive validation CRVP immediately searches in the repository of unmatched settlement instructions for those counterparty instructions that have the same mandatory matching fields values (i.e. matching). If matching is not successful, the settlement instruction is placed in the repository of unmatched settlement instructions waiting for the matching instruction. Each member can see outgoing (delivering) and incoming (receiving) unmatched instructions regarding its securities accounts (house/client) via CRVP GUI and Web services. Unmatched settlement instructions remain in the repository of unmatched settlement instructions for 20 business days from the later of the intended settlement date or the date of the submission of the settlement instruction, after which date the instructions are cancelled. If matched successfully, reservation of securities on the account of the seller is attempted on intended settlement day (as required for T2S settlement). If this is done successfully, instructions are forwarded to settlement. If settlement attempt is not successful, the respective settlement instructions are queued for further settlement attempts (i.e. recycling) for unlimited period until successful settlement or until cancellation of respective settlement instructions. Cash leg of settlement requires sufficient funds on respective DCA.

OTC-FOP transactions settlement follows the same procedure, except cash leg.

### **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 bookentry.***

***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.

During a processing cycle, running balances of debits and credits to funds and securities accounts are calculated. All funds and securities transfers are provisional until the end of the processing cycle, at which time book-entry transfer of securities take place. If and only if all participants have sufficient balances of funds and securities, final transfers of the net securities balances and net funds balances are executed.

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

- Yes
- No (please answer 49a)
- Not applicable
- Other (please answer 49c)

**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.
- Securities in the depository are held in certificated form.
- Other (please answer 50a)

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

- All eligible securities must be held in the depository. (please answer 51b)
- Securities may move freely into and out of the depository. (please answer 51h)
- Once entered into the depository, eligible securities must remain in the depository. (please answer 51b)
- Certain designated securities may be held outside the depository. (please answer 51a)
- Not applicable
- Other (please answer 51k)

**52. If securities are dematerialized:**

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

- Yes (please answer 52a)
- No (please answer 52a)
- Not applicable
- Other (please answer 52j)

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

- Through book-entry at the depository
- Through book-entry at a registrar or issuer (please answer 52b)
- Other (please answer 52k)

**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.)**

- Yes (please answer 52e)
- No (please answer 52g)
- Other (please answer 52l)

**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.

**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
- No
- Not applicable (please answer 53a)
- Other (please answer 53a)

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

- Yes
- No
- Not applicable
- Other (please answer 54a)

**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)
- No
- Not applicable
- Other (please answer 55o)

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

- Fees and expenses
- Collateralization of overdrafts
- To secure payment for purchased securities
- Other (please answer 55b)

**55b. Please describe:**

Art. 33 of Book-entry Securities Act states that CSD has a lien on securities whose holder for its own account is a KDD system member who is in default on their liabilities arising from their membership.

Lien extends to assets of such member only and not to assets owned by member's clients.

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

- The lien is limited to securities in the participant's proprietary account.
- The lien is limited to securities in the course of purchase and sale transactions, but does not extend to settled positions.
- The lien may extend to settled client positions. (please answer 55d)
- Other (please answer 55d)

**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?**

- Yes (please answer 55f)

- No (please answer 55h)
- Other (please answer 55n)

**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)
- No
- Other (please answer 55m)

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

- Contract between the depository and the participant
- Other procedures (please answer 55l)

**55l. Please explain:**

Art. 33 of Book-entry Securities Act states that the member of the CSD has a lien on securities of the holder whose account it manages if such holder is in default on their liabilities arising from their contract on the implementation of investment services.

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

KDD can put a lien only on securities booked on member's house account. Member's clients' assets are completely segregated from members' assets.

**56. Transfer of Legal Ownership**

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

- Yes (please answer 56a)
- No
- Not applicable
- Other (please answer 56e)

**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).

**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.)**

- A registered certificate in the name of the depository is delivered to the depository.
- A participant delivers the security with a valid transfer deed or stock power or other transfer document to the depository which then effects registration.

A registrar re-registers the security in the name of the depository.

Other (please answer 57a)

Not applicable

**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.)**

Securities are reflected in the participant depository account immediately upon delivery to the depository.

Securities are re-registered prior to being reflected in the participant's depository account.

Other (please answer 58a)

Not applicable

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

1 to 2 days

3 days to 1 week

2 to 4 weeks

More than 4 weeks (please answer 59a)

Not applicable

Other (please answer 59b)

**60. During the process of lodging securities into the depository, can the securities: Be traded?**

Yes

No (please answer 60c)

Not applicable

Other (please answer 60c)

**60a. During the process of lodging securities into the depository, can the securities: Be settled?**

Yes

No (please answer 60d)

Not applicable

Other (please answer 60d)

**60b. During the process of lodging securities into the depository, can the securities: Have ownership transferred?**

Yes

No (please answer 60e)

Not applicable

Other (please answer 60e)

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

Yes

No (please answer 61a)

Not applicable

Other (please answer 61d)

**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.)**

- Securities are re-registered into the name of the beneficial owner or a nominee.
- Securities are re-certificated and re-registered into the name of the beneficial owner or a nominee.
- Securities are re-certificated and delivered as bearer instruments.
- Securities are transferred as is any physical delivery in the market.
- Other (please answer 63a)
- Not applicable.

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

- 1 to 2 days
- 3 days to 1 week
- 2 to 4 weeks
- More than 4 weeks (please answer 64a)
- Not applicable
- Other (please answer 64b)

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

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

- No (please answer 65b)
- Not applicable
- Yes
- Other (please answer 65b)

**65c. Be settled?**

- No (please answer 65d)
- Not applicable
- Yes
- Other (please answer 65d)

**65e. Have ownership transferred?**

- No (please answer 65f)
- Not applicable
- Yes
- Other (please answer 65f)

**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?**

- No
- Not applicable
- Yes (please answer 66b)
- Other (please answer 66d)

**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?**

- No
- Yes (please answer 66f)
- Not applicable
- Other (please answer 66h)

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

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

Pursuant to KDD Operations Rules (Art. 103), Liability of KDD is defined as follows:

(1) KDD shall be liable for any potential errors, shortcomings or other damage that might occur to users of KDD services as a result of actions of the Eurosystem or its members regarding the management and operation of T2S, but only to the amount of damage for which the Eurosystem is liable to KDD. KDD shall not be liable for the choice of T2S nor shall it give any assurance as to its operation.

(2) Should the actions of KDD result in an overdraft in the balance of securities or in a shortfall of securities, KDD shall immediately make up for the missing amount of securities. Should this not be possible, KDD shall compensate the affected person for the value of lost securities due to the restoration of the balance of securities. Should there be an overdraft in the balance of securities or a shortfall of securities which are not a result of the actions of a KDD member or KDD, the value of lost securities due to the restoration of the balance of securities shall be allocated among holders of the same types of securities in proportion to their respective shares. This shall not affect the rights of holders to demand compensation from a third party responsible for the overdraft or shortfall of securities.

(3) The highest amount of liability of KDD for damage that might occur to users of KDD services as a result of light negligence of KDD shall be 1,000,000.00 EUR for an individual harmful event.

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

- No
- Yes (please answer 66j)
- Not applicable
- Other (please answer 66l)

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

- Financial limits are imposed on the amount of liability assumed by the depository
- The depository assumes liability for direct losses
- The depository assumes liability for indirect or consequential losses
- Other (please answer 66k)

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

Please see answer 66h.

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

- No

- Yes (please answer 66n)
- Not applicable
- Other (please answer 66p)

**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?**

- No
- Not applicable
- Yes (please answer 66r)
- Other (please answer 66t)

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

- No
- Yes (please answer 66v)
- Not applicable
- Other (please answer 66w)

**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, liquidity reserve, pledge, buy-in, sell-out, 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
- Yes (please answer 66y)
- Not applicable
- Other (please answer 66-1)

**66-2. 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
- Yes (please answer 66\*)
- Not applicable
- Other (please answer 66!)

**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)
- No
- Other (please answer 67b)

Not applicable

**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)

No

Other (please answer 67e)

Not applicable

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

Dedicated insurance policy covers KDD's operational errors, omissions, computer fraud (coverage 1 million €).

**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.**

Yes (please answer 67h)

No

Other (please answer 67h)

Not applicable

**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**

Yes (please answer 67k)

No

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

- Yes
- No
- Other (please answer 68a)

**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
- By receipt of physical account holding statements
- Other (please answer 69a)
- Not applicable

**69a. Please explain:**

Web-service reports, SWIFT messages, GUI access to KDD's information system.

Entity Name

Slovenia KDD Central Securities Clearing Corp.

**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)
- No
- Other (please answer 70d)
- Not applicable

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

- By direct electronic link (please answer 70b)
- Other (please answer 70c)

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

- Dial-up modem
- Secured, leased, dedicated telephone line
- Internet
- Fax

**71. Regarding data security:**

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

- Yes
- No
- Not applicable
- Other (please answer 71b)

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

Members' users use digital certificates to access KDD's system.

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

- Yes
- No
- Not applicable
- Other (please answer 71d)

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

- Yes (please answer 71f)
- No
- Not applicable
- Other (please answer 71g)

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

- Yes (please answer 71i)
- No
- Not applicable

Other (please answer 71j)

**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)  
 No (please proceed to 74)  
 Not applicable (please proceed to 74)  
 Other (please answer 72a)

**72a. Please explain:**

The depository communicates with other entities such as stock exchange, payment system, T2S via Internet and/or via SWIFT.

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

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

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

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

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

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

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

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

- Dial-up modem  
 Secured, leased, dedicated telephone line  
 Internet  
 Fax  
 Paper/other  
 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
- Other (please answer 74a)

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

- Not applicable no vault is maintained
- Electronic keys/combinations
- Dual access control
- Visitor logs
- Vault counts (please answer 75a)
- Intrusion alarms
- Fire alarms
- Guards
- Other (please answer 75b)

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

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

- Depository insurance covers the loss (please answer 76a)
- The depository guaranty fund covers the loss
- Loss is shared among participants (please answer 76b)
- Other (please answer 76d)
- Not applicable

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

- Equally, among participants
- Pro-rata based on participant's volume
- Limited to participants with transactions with failing counterparty
- Other (please answer 76c)

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

- Yes (please answer 77a)
- No
- Not applicable
- Other (please answer 77a)

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

- Yes (please answer 78a)
- No (please proceed to 79)
- Not applicable (please proceed to 79)
- Other (please answer 78l)

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

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

1.058.060,64 EUR (as of December 31, 2019).

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

- By participant volume
- By asset value
- A fixed amount
- Other (please answer 78c)

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

The guarantee fund shall represent assets maintained by KDD in its own name and at its disposal for the account of system members participating in the settlement of stock exchange transactions.

#### Joint Liability of System Members:

All system members participating in the settlement of stock exchange transactions shall assume joint liability for the settlement of net financial obligations of a net debtor system member if the respective net debtor system member fails to make good on their obligations in due time.

All system members participating in the settlement of stock exchange transactions shall assume joint liability for the settlement of obligations of a seller system member to provide conditions for the settlement of the obligation to transfer securities if the respective seller system member fails to make good on their obligations in due time.

#### Internal Relations between System Members:

Internal relations between system members involved in the settlement of stock exchange transactions shall mean that each system member shall assume their proportionate share of payments into the guarantee fund according to the balance on the date the respective system member defaulted on the obligation which other system members assume due liability for.

#### Payments into the Guarantee Fund:

##### Principal

The principal of the guarantee fund shall amount to 160% of the average total daily amount of net financial obligations in the past year. System members that participate in the settlement of stock exchange transactions shall pay a half of the principal in equal amounts, while the other half shall be paid in proportion to their average daily amounts of net financial obligations in the past year.

##### Supplementary Payments

(1) If a payment is made in debit of the guarantee fund or if KDD assesses there is high probably of such a payment, other system members participating in the settlement of stock exchange transactions shall be obliged to make supplementary payments into the guarantee fund in order for the balance of the guarantee fund to reach the principal or would reach the principal if such payments had to be made.

(2) Supplementary payment which is to be made by an individual system member shall be in proportion to the share of that member in the responsibility to meet the obligations of another system member.

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

- Contributions from owner (please answer 78e)
- Contributions from participants (please answer 78f)
- Funding from retained earnings
- Other (please answer 78g)

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

Please see answer 78c.

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

- Direct depository participants only
- The beneficial owner also
- Other (please answer 78i)

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

- When a broker defaults
- When a direct participant defaults
- Other (please answer 78k)



## 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)
- Collateral requirements for participants (please answer 79b)
- Debit caps for participants (please answer 79c)
- 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)
- Not applicable

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

Pursuant to CSD Rules (Art. 103), Liability of KDD is defined as follows:

(1) KDD shall be liable for any potential errors, shortcomings or other damage that might occur to users of KDD services as a result of actions of the Eurosystem or its members regarding the management and operation of T2S, but only to the amount of damage for which the Eurosystem is liable to KDD. KDD shall not be liable for the choice of T2S nor shall it give any assurance as to its operation.

(2) Should the actions of KDD result in an overdraft in the balance of securities or in a shortfall of securities, KDD shall immediately make up for the missing amount of securities. Should this not be possible, KDD shall compensate the affected person for the value of lost securities due to the restoration of the balance of securities. Should there be an overdraft in the balance of securities or a shortfall of securities which are not a result of the actions of a KDD member or KDD, the value of lost securities due to the restoration of the balance of securities shall be allocated among holders of the same types of securities in proportion to their respective shares. This shall not affect the rights of holders to demand compensation from a third party responsible for the overdraft or shortfall of securities.

(3) The highest amount of liability of KDD for damage that might occur to users of KDD services as a result of light negligence of KDD shall be 1,000,000.00 EUR for an individual harmful event.

### 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:

Controls are evident from description of OTC and stock exchange settlement:

#### Stock exchange settlement

Trades concluded on Ljubljana Stock Exchange (LJSE) are settled on T+2. Settlement is executed in line with KDD Operations Rules. BIS Model 3 applies to stock exchange trades settlement.

Information on daily stock exchange transactions are sent to KDD's information system in single batch by 15:25 p.m. at the latest. KDD creates a file containing all received information and immediately asks LJSE for final confirmation. Trades become final as LJSE confirms this information - by 4:30 p.m. at the latest. KDD clears cash obligations and cash claims from respective counterparties, employing a multilateral technical settlement netting method - without affecting underlying contracts between the parties to the trade.

Settlement members are notified on final calculation of their positions and the required amount of liquidity reserve (serves as a liquidity risk management tool) by 4:45 p.m. on trading day at the latest. Members have on-line access to this information. Liquidity reserve should be paid by 10.00 a.m. on T+1. Settlement members should arrange sufficient positions on sellers' securities accounts and cash funds on respective DCAs by 10.00 a.m. on T+2. Final settlement of securities and cash is executed by 3.00 p.m. on T+2 at the latest.

The role of the KDD is to perform its function as the settlement facilitator and to transfer respective securities. KDD never acts as principal or assumes any credit risk. Eventual member's default is always covered only with funds from the Guarantee Fund, which is the main risk mitigation tool.

#### OTC settlement

For OTC-DVP transactions settlement BIS model 1 applies.

Generic description of OTC settlement: Instructing party sends its settlement instruction to KDD's CRVP - Central Registry System (via SWIFT, direct input in Klient, XML msg. import). CRVP performs settlement instruction validation. In case of negative validation CRVP rejects the settlement instruction and informs the instructing party. In case of positive validation CRVP immediately searches in the repository of unmatched settlement instructions for those counterparty instructions that have the same mandatory matching fields values (i.e. matching). If matching is not successful, the settlement instruction is placed in the repository of unmatched settlement instructions waiting for the matching instruction. Each member can see outgoing (delivering) and incoming (receiving) unmatched instructions regarding its securities accounts (house/client) via CRVP GUI and Web services. Unmatched settlement

instructions remain in the repository of unmatched settlement instructions for 20 business days from the later of the intended settlement date or the date of the submission of the settlement instruction, after which date the instructions are cancelled. If matched successfully, reservation of securities on the account of the seller is attempted on intended settlement day (as required for T2S settlement). If this is done successfully, instructions are forwarded to settlement. If settlement attempt is not successful, the respective settlement instructions are queued for further settlement attempts (i.e. recycling) for unlimited period until successful settlement or until cancellation of respective settlement instructions. Cash leg of settlement requires sufficient funds on respective DCA.

OTC-FOP transactions settlement follows the same procedure, except cash leg.

**79f. Please explain:**

Please see answer 79e.

**79g. Please explain:**

Please see answer 79e.

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

- Margin requirements for stock exchange members
- Guaranty fund for stock exchange members
- Financial requirements for stock exchange membership
- Other (please answer 80a)
- No
- Not applicable

**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)
- No
- Other (please 81g)

**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
- Other (please answer 81h)

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

**Depository participants/members**

Please see 81f

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

**Stock exchange**

Not applicable

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

KDD and Central Bank conduct regular tests related to TARGET2 and T2S.

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

Not applicable

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

KDD verifies the suitability of the programme for managing business continuity with regular tests:

- Uninterrupted operation of critical business processes is tested by means of switching between operations on main site engine and secondary site engine. This is done on approximately monthly basis.
- Building unavailability plan: last test in May 2019,
- Supplier unavailability plans: monthly (or more frequent) tests with each supplier

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

- 1 - 4 hours
- 4 - 8 hours
- 8 - 24 hours
- Longer than 24 hours
- Not applicable
- Other (please answer 82a)

**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
- 4 - 8 hours
- 8 - 24 hours
- Longer than 24 hours
- Not applicable
- Other (please answer 83a)

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

- Yes (please answer 84a)
- No (please proceed to 85)
- Not applicable
- Other (please answer 84g)

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

- To the depository regulators
- To all direct participants
- To direct and indirect participants
- To the public via the internet (please answer 84b)
- In the press (please answer 84c)
- Other (please answer 84d)

**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
- Public announcement
- Press release
- Other (please answer 84f)

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

- Yes (please answer 85a)
- No
- Not applicable
- Other (please answer 85e)

**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?**

- Yes (please answer 86a)
- No
- Other (please answer 86b)
- Not applicable

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

- Yes (please answer 87a)
- No
- Other (please answer 87b)
- Not applicable

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

- Yes for all three years
- Yes for two of the last three years
- Yes for one of the last three years
- None of the last three years

- Not applicable
- Other (please answer 88a)

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

- Yes (please answer 89a)
- No
- Not applicable
- Other (please answer 89b)

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

2.754.551 EUR of Revenue reserves (as of December 31, 2019)

**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?**

- Yes (please answer 90a)
- No
- Not applicable
- Other (please answer 90f)

**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?**

- Yes (please answer 90c)
- No (please answer 90d)
- Other (please answer 90e)

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

Not applicable.

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

- Yes (please answer 91a)
- No
- Not applicable
- Other (please answer 91c)

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

**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)?**

- Yes (please answer 92a)

- No
- Not applicable
- Other (please answer 92c)

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

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

- Yes (please answer 93a)
- No
- Not applicable
- Other (please answer 93c)

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

1,000,000 EUR

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

2,000 EUR

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

- Yes (please answer 94a)
- No
- Not applicable
- Other (please answer 94c)

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

1,000,000 EUR

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

2,000 EUR

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

- Yes (please answer 95a)
- No
- Not applicable
- Other (please answer 95c)

**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.

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

- Yes (please answer 96a)
- No
- Not applicable
- Other (please answer 96d)

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

Computer equipment, office furniture and other office equipment.

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

1,500,000 EUR

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

No deduction.

**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
- Other (please answer 97d)
- Not applicable

**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:**

**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)
- No

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

- Web site (please answer 99b)
- By individual request with depository (please answer 99c)
- Other (please answer 99i)

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

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

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

- Telephone (please answer 99e)
- Facsimile (please answer 99f)
- By mail/air courier (please answer 99g)
- By e-mail (please answer 99h)

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

[info@kdd.si](mailto:info@kdd.si)

**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

No

## **CYBER SECURITY**

**101. Does your organization have a documented cybersecurity policy in place? If so, please provide a copy or overview.**

Yes

No

### **Comments:**

Not publicly available.

**102. Please confirm that your staff receive relevant training about this policy:**

Yes

No

### **Comments:**

**103. Please provide an overview of your policy for continuity of business in the event of a large data breach or cyber attack against your organization.**

All plans are in place. Details are not publicly available.

**104. In the last 12 months have there been any changes to the policy? If yes, please detail.**

Yes

No

### **Comments:**

Regular updates were made.

**105. Please advise how often you review the policy.**

Semi-Annually

Annually

Other

### **Comments:**

**106. Please provide (as an attachment) a diagram showing where your cybersecurity function resides and who it reports to.**

**Comments:**

Cybersecurity function is organised within Information security sector (all within IT division). Responsible personal report directly to Management board.

**107. How does your organization identify which business functions carry a cyber risk?**

With dedicated risk assessments.

**108. Do you conduct ongoing testing and monitoring processes to ensure that all internal and external connectivity and system configurations are not at risk of cybersecurity breaches? If yes, please provide details and indicate frequency.**

Yes

No

**Comments / frequency:**

Monitoring is conducted daily, testing at least annually.

**109. What technological controls and protections are in place for your systems and networks?**

Various controls are in place.

**110. Does your organization use multi-factor authentication?**

Yes

No

**Comments:**

**111. Where your organization has outsourced activities or functions to a third-party provider, is your cyber risk exposure documented?**

Yes

No

**Comments:**

KDD uses T2S settlement platform and SWIFT network. No dedicated assessment of exposure to cyber risk was done.

**112. What measures does your organization have to ensure early detection of a cyber attack?**

Implemented monitoring processes

**113. What is the agreed resumption time for critical operations following a cyber attack?**

2 hours

**114. How would you advise clients of a successful cyber attack against your organization?**

KDD informs members with e-mails. Any further status details are also shared with e-mails.

**115. In the last 12 months has your organization been subject to a cyber attack that impacted the service you provide to us? If yes, please provide details.**

- Yes
- No

**Comments:**

**116. Are the following elements of your cybersecurity framework tested pre and post deployment of changes?**

**Vulnerability assessment:**

- Yes
- No

**Scenario based penetration tests:**

- Yes
- No

**Testing of incident response process and technical/business/operations (e.g. table-top exercise):**

- Yes
- No

**Other - Please describe in comments:**

**117. For cloud technology and associated cybersecurity risks, please confirm:**

**(i) that you have procedures and controls in place to protect our information from mishandling or theft;**

**(ii) how these procedures and controls tie back to your record retention policy**

Yes

No

**Comments:**

**118. Does your organization conduct dark web searches for signs of a breach (internet protocol or customer/client personally identified information for sale)?**

Yes

No

**Comments:**

**119. Is your organization aware of SWIFT's Customer Security Program (CSP)?**

Yes

No

**Comments:**

**120. Does your organization ensure compliance with SWIFT's CSP controls?**

Yes

No

**Comments:**

**121. Does your organization respond to requests for your institution's attestations?**

Yes

No

**Comments:**

**122. Does your organization request the attestation details of your counterparties and incorporate the responses into ongoing relationship and risk management programs?**

Yes

No

**Comments:**

Not done so far.

**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 of the questionnaire.**