

WFC Single Disclosure Report 2025

AGC and PFMI answers

Date submitted

23/10/2025 02:24:44

General information

G01Q001

Please indicate the full name of the responding institution:

PFMI: Annex A - CSD disclosure template [CSD name]AGC: 0a

Central Depository AD Bulgaria (CDAD)

G01Q002

Registered address:

PFMI: n/aAGC: 0c

6 "Tri ushi" Str., Sofia 1000

G01Q003

Country of registered address:

PFMI: n/a AGC: 0d

Bulgaria

G01Q004

Official website of the respondent institution:

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

<http://www.csd-bg.bg>

G01Q005

The date of this disclosure is:

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

21/10/2025

G01Q006

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

PFMI: n/a AGC: 99

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

☐ Yes, my response will be public, but only for my answers to AGC questions.

☐ Yes, my response will be public, but only for my answers to PFMI questions.

☐ No, I do not wish my response to be publicly available.

G01Q007

How will you be making your answers publicly available?

PFMI: n/a AGC: 99a

☒ Website☒ Upon request☐ OTHER:

G01Q008

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

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

<http://www.csd-bg.bg>

G01Q009

First and Last Name of the contact person:

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

Mariana Bogdanova

G01Q010

Email address of the contact person:

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

☒ I hereby certify that I am authorised to submit this disclosure report on behalf of my institution.
 M.Bogdanova@csd-bg.bg

G01Q011

Telephone number (please include the international country code):

PFMI: n/a AGC: 99e

+359 2 939 1971

G01Q012

How do you prefer to be contacted?

PFMI: n/aAGC: 99d

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

G01Q013

Fax number

PFMI: n/aAGC: 99f

+359 2 393 1998

G01Q014

What is the preferred street address for mailing requests?

PFMI: n/aAGC: 99g

6 "Tri ushi" Str., Sofia 1000

G01Q015

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

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

Bulgaria

G01Q016

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

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

Financial Supervision Commission

G01Q017

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

PFMI: I.AGC: n/a

The Central Depository AD (CD AD) is a legal joint stock company established in 1996, regulated by the Financial Supervision Commission. The institution maintains a reliable system for the book-entry registration of dematerialized securities and performs clearing and settlement of transactions in dematerialized securities as well as administration of such securities. The Public Offering of Securities Act and ordinance № 8 of the Financial Supervision Commission set the basic rules for the organization and operation of CD AD. Membership eligibility of CD AD is detailed in the legislation and is limited to banks, investment intermediaries, management companies, Stock Exchanges or foreign depository and clearing institutions.

Risk management policy has been developed in accordance with the requirements of Article 47 of Commission Delegated Regulation (EU) 2017/392 of 11 November 2016.

Operational risks include risks due to gaps in information systems, internal processes and staff performance, or shocks caused by external events leading to a reduction, deterioration or discontinuation of services provided by the Central Depository. The Central Depository identifies, monitors and manages the operational risks it faces in relation to key players, critical services and critical service providers, other CSDs or market infrastructures. Operational risk management is part of the daily risk management processes and its results are taken into account in determining, monitoring and controlling the operational risk profile of the Central Depository. The identification, monitoring and management of operational risks follows the procedure described in Section 7 Risk Management Process. Operational risks are included in the General Risk Register. All identified operational risks with an assessment above the level of the appetite of the Central Depository should be addressed.

The responsibilities and activities for managing certain operational risks are as follows:

Operational risks that may be posed by key actors

The Settlement Department identifies, reviews and updates on an ongoing basis the key players in the securities settlement system. The Head of Settlement is responsible for identifying, assessing, monitoring, reporting and addressing operational risks that may arise from key actors.

Operational risks that may be posed by critical services and critical service providers

The Information Systems and Technologies Directorate and the Accounting Department identify critical services and critical service providers. The heads of the Information Systems and Technologies Directorate and the Accounting Department are responsible for identifying, assessing, monitoring, reporting and addressing operational risks that may arise from critical services and critical service providers.

Operational risks that may arise from other CSDs or market infrastructures

The Settlement Division identifies other CSDs or market infrastructures that may give rise to operational risks. The Head of Settlement is responsible for identifying, assessing, monitoring, reporting and addressing operational risks that may arise from key actors.

G01Q018

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

PFMI: II.AGC: n/a

The Introduction of Euro into the Republic of Bulgaria Act (IERBA) was adopted in 2024. This law embraces all procedures concerning the introduction of the euro in Bulgaria, including the obligations of Central Depository AD.

G01Q019

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

PFMI: III.1.AGC: n/a

The Central Depository AD (CD AD) was established as a joint-stock company, under the terms of Art. 91 of the Securities, Stock Exchanges and Investment Intermediaries Law (SSEIIL). The CD AD shareholders are the major Bulgarian banks that play an active role in the securities market.

According to Bulgarian legislation, the CD AD must organize and maintain reliable systems for:

Dematerialized shares book-entry registration

Maintain shareholders' registry of the companies traded

Maintain a registry of the securities traded

Immobilize share certificates that are a matter of public trading

Performance statistics are provided on a weekly basis and are available on the website of the CD AD.

G01Q020

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

PFMI: III.2.AGC: n/a

A five-member Board of Directors is the operational body which implements the management control over The CD AD. The Board of Directors appoints one of its members as a Chief Executive Officer who leads and manages the daily activities and reports to the rest of the Board members at least once a month.

<https://www.csd-bg.bg/au/boardDirectors.xhtml>

<https://www.csd-bg.bg/au/organization.xhtml>

G01Q021

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

PFMI: III.3AGC: n/a

The activity of the CD AD is regulated by the Public Offering of Securities Act, Markets in Financial Instruments Act, Ordinance No. 8 on the requirements to the activity of the central securities depositories, the central securities register and other persons carrying out activities related to the settlement of securities. At EU level CSDs activities are regulated by 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 and respective RTS/ITS.

The major shareholder of the CD AD is the Ministry of Finance (43.7%). Other shareholders are the BSE, Bankservice, banks, financial and brokerage houses. Up to 5% of the capital can be held by shareholders other than MOF, BNB, regulated markets, market operators, foreign depositories and clearing institutions.

All the activities are regulated and supervised by the Financial Supervision Commission.

G01Q022

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

PFMI: III.4AGC: n/a

The incoming messages from the participants related to a certain transfer are checked first for the syntactic compliance. Messages with the result of the syntactic check are sent back to the corresponding participants.

If the necessary transfer formation messages are available and syntactically correct, they are processed during the first settlement cycle.

A logical check of the messages and their attributes follows, after the successful matching they are checked and the transfer is formed. For this event or its non-occurrence, the participants receive appropriate notifications.

The transfer follows the schedule for settlement. Upon every stage of processing, the participants receive messages for the status of FI transfer.

G01Q023

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Legal Basis (PFMI Principle 1)

G02Q001

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

PFMI: Annex A - CSD disclosure template - IV.P1AGC: n/a

- ☐ The AGC questions and a report with only AGC answers will be generated
- ☐ The PFMI questions and a report with only PFMI answers will be generated
- ☒ Both the AGC and PFMI questions and a report with answers to both questionnaires will be generated

CD AD is authorised under CSDR, ITS and RTS. National legislation is focused in Public Offering of Securities Act, Markets in Financial Instruments Act, Ordinance No 8 on central securities depositories, Rules of procedure of CD AD, etc.

G02Q002

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

PFMI: n/aAGC: 7

Bulgarian Law and EU Regulation (EU) 2014/909, ITS, RTS.

G02Q003

Is the regulation or statute electronically available?

PFMI: n/aAGC: 7a

- ☒ Yes
- ☐ No

G02Q004

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

PFMI: n/aAGC: 7b

Yes, https://www.csd-bg.bg/resources/docfiles/md/Statute_CDAD_08Sept2022_EN.pdf

G02Q005

filecount - Please supply document(s) here:

PFMI: n/aAGC: 7c

G02Q006

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

PFMI: Q.1.1.1AGC: n/a

All material aspects are embraced in the authorization of the CD AD under Regulation 909/2014 and national legislation. CSD's activities and services are legally based in national and EU legislation.

G02Q007

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

PFMI: Q.1.1.2AGC: n/a

EU and Bulgarian Law.

G02Q008

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

PFMI: Q.1.1.3AGC: n/a

These issues are regulated by Ordinance 8, Public Offering of Securities Act and the Rules of Procedure of CD AD. The Internal procedures and the Rules of procedure are preliminary submitted and approved by the supervisory authority. In addition, legal basis is embraced in CSDR. All amendments of the Rules of Procedure of CD AD are approved by the national regulator - Financial Supervision Commission.

G02Q009

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

PFMI: Q.1.2.1AGC: n/a

The CD AD's Rules of procedure are preliminary coordinated with stakeholders.

G02Q010

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

PFMI: Q.1.2.2AGC: n/a

The CD AD's Rules of procedure are coordinated preliminary with stakeholders and approved by Financial Supervision Commission /FSC/.

G02Q011

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

PFMI: Q.1.2.2AGC: n/a

Yes, by FSC

G02Q012

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

PFMI: Q.1.2.3AGC: n/a

Yes. They must first be approved by the company's management body and subsequently by the FSC.

G02Q013

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

PFMI: Q.1.3.1AGC: n/a

The legal basis for the activities of CD AD derives from both EU and national legislation. The rationale for the development of legal acts and internal procedures, as well as the applicable legal grounds, is set out in supporting documents submitted to the FSC.

G02Q014

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

PFMI: Q.1.4.1AGC: n/a

G02Q015

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

PFMI: Q.1.4.2AGC: n/a

Amendments in the Rules of procedure are subject of preliminary control by the supervisory authority.

G02Q016

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

PFMI: Q.1.4.3AGC: n/a

There is no such case.

G02Q017

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

PFMI: Q.1.5.1AGC: n/a

The CD AD requires relevant information on applicable legislation.

G02Q018

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Governance and ownership (PFMI Principle 2)

G03Q001

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

PFMI: Annex A - CSD disclosure template - IV.P2AGC: n/a

Governance arrangements are compliant with EU and national legislation.

G03Q002

What type of legal entity is the institution?

PFMI: n/aAGC: 3

- ☐ Public Company
- ☒ Private Company
- ☐ Central Bank (or part thereof)
- ☐ Stock Exchange (or part thereof)
- ☒ OTHER: Joint stock company

G03Q003

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

PFMI: n/aAGC: 4

- ☒ For profit
- ☐ Not for profit

G03Q004

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

PFMI: n/aAGC: 5

The owners are the institutional shareholders specified in the Public Offering of Securities Act. Major part of the shares are held by the Ministry of Finance.

G03Q005

What is the date of establishment of the CSD?

Please enter the answer in DD/MM/YYYY format.

If you are filling the survey for more than one organization, please enter the name of each organization in different lines and in front of each one the corresponding date.

PFMI: n/a AGC: 6a

13/08/1996

G03Q006

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

Please enter the answer in DD/MM/YYYY format.

If you are filling the survey for more than one organization, please enter the name of each organization in different lines and in front of each one the corresponding date.

PFMI: n/a AGC: 6b

Operations commenced in March 1997.

G03Q007

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

PFMI: n/aAGC: 18

- ☐ Yes
- ☒ No
- ☐ Not applicable

G03Q008

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

PFMI: n/aAGC: 18a.

G03Q009

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

PFMI: Q.2.1.1AGC: n/a

1. Active participation in the collaborative BSE-CD AD initiative focused on facilitating the integration of small and medium enterprises (SMEs) into the capital market.
2. Strengthening relationships with other depository institutions through strategic collaboration through the European Central Bank (ECB).
3. Continuing partnership activities with ECSDA on ongoing projects and sustained participation in associated working groups.
4. Achieving full harmonisation of all market standards for Corporate Actions (CA) and General Meetings (GM), along with the adaptation of the corresponding ISO 20022 messages.

G03Q010

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

PFMI: Q.2.1.1AGC: n/a

1. Completion of the BSE-CD AD initiative by the end of the year.
2. Preparation of the requisite documentation, opening accounts, formalizing connections with other depository institutions, and conducting the respective testing procedures.
3. Supporting the activities of the groups by offering expert opinions, participating in conference calls, and engaging in other tasks, as required by the specific focus and objectives of each group.
4. Conducting internal and external testing using ISO 20022 messages for Corporate Actions (CA) and General Meetings (GM). Providing regular reports to Ami-SeCo on the progress and dynamics of Standards' harmonisation.

G03Q011

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

PFMI: Q.2.1.2AGC: n/a

These are core principles of the CD AD activities.

G03Q012

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

PFMI: Q.2.2.1AGC: n/a

CD AD is a company with one-tier management system. The CD AD is represented by CEO. The Board of Directors (BoD) consists of five members: Chairman and four members. Responsibilities of the members of the BoD are defined in the articles of the association of the company. There are additional requirements for the composition of the BoD in Regulation 909/2014, national legislation - Commercial Law, Public Offering of Securities Act, Ordinance No 8 and the internal documents of the company.

G03Q013

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

PFMI: Q.2.2.2AGC: n/a

Each member of the BoD declares his/her participation in other governing bodies and potential conflicts of interest. In case of conflict of interest, the relevant member does not participate in decision-making process and voting.

G03Q014

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

PFMI: Q.2.2.3AGC: n/a

By annual report approved by the General Meeting of the shareholders.

G03Q015

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

PFMI: Q.2.2.4AGC: n/a

By publishing the decisions of the General Meeting of shareholders on the website of the Commercial Register.

G03Q016

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

PFMI: Q.2.3.1AGC: 7d

Responsibility of the members of the BoD are defined in the articles of association of the company. There are additional requirements for composition of the BoD in EU Regulation 909/2014, national legislation - Commercial Law, Public Offering of Securities Act, Ordinance № 8 and the internal documents of the company.

G03Q017

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

PFMI: Q.2.3.2AGC: n/a

There are internal rules for conflict of interests. All procedure requirements are supervised by the Financial Supervision Commission (FSC).

G03Q018

What are the election procedures?

PFMI: Q.2.3.2AGC: 7e

Preliminary procedure under election criteria, approval of agenda for invitation of the general meeting of shareholders by the BoD and FSC, decision of the general meeting of shareholders, record in the Commercial register.

G03Q019

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

PFMI: Q.2.3.2AGC: 7f

5 Years

G03Q020

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

PFMI: Q.2.3.2AGC: 7g

One vote for each member.

G03Q021

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

PFMI: Q.2.3.3AGC: n/a

These committees are established and function in accordance with the requirements of the EU Regulation 909/2014 (CSDR).

G03Q022

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

PFMI: Q.2.3.4AGC: 7h

General assembly of shareholders and FSC.

G03Q023

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

PFMI: Q.2.4.1AGC: n/a

By applying the current legislation on this issue.

G03Q024

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

PFMI: Q.2.4.2AGC: n/a

G03Q025

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

PFMI: Q.2.4.3AGC: n/a

- ☒ Yes
☐ No

G03Q026

If yes, how many?

PFMI: Q.2.4.3AGC: n/a

In accordance with art. 27, paragraph 2 of CSDR -2.

G03Q027

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

PFMI: Q.2.4.4AGC: n/a

By declarations of independent members submitted to FSC.

G03Q028

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

PFMI: Q.2.5.1AGC: n/a

G03Q029

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

PFMI: Q.2.5.2AGC: n/a

The roles and objective are set in the Articles of association of the company. They are assessed by the General Assembly of shareholders.

G03Q030

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

PFMI: Q.2.5.3AGC: n/a

The management of the company is elected by the General Assembly of shareholders. All documents concerning appropriate experience are submitted to the general assembly of shareholders.

G03Q031

What is the process to remove management if necessary?

PFMI: Q.2.5.4AGC: n/a

By decision of a General Assembly of shareholders.

G03Q032

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

PFMI: Q.2.6.1AGC: n/a

The CD AD risk management framework includes:

Formalization of the risk management policy, which defines the risk culture and philosophy of the CD AD, as well as the degree of risk that the Company is willing to take (risk appetite) to achieve its goals;

Hierarchy of risks;

Risk management process and its components;

Adopting a common terminology regarding risk management;

G03Q033

How is it documented?

PFMI: Q.2.6.1AGC: n/a

The BoD of the CD AD has introduced duly documented policies, processes and procedures according to which risk management is carried out and according to which the Risk Management Committee functions.

The Financial Supervision Commission has approved these policies.

G03Q034

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

PFMI: Q.2.6.2AGC: n/a

The risk management committee should determine the risk exposure levels acceptable for the CD AD in relation to the two hierarchical levels of risk (strategic and operational). At the strategic level, many external risks (such as economic factors, natural disasters, political changes, social factors and technological factors) are often unavoidable and the CD AD can hardly manage them and reduce them to an acceptable level. In these cases, the Risk Management Committee should focus on identifying the main threats that these risks could cause to CD AD-critical activities, assess their likely impact on CD AD and develop a recovery strategy.

In all circumstances where the "prudent" policy of risk appetite could be exceeded or has been exceeded, the risks should be referred to the Risk Management Committee for discussion and decision.

G03Q035

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

PFMI: Q.2.6.3AGC: n/a

The updating and review of strategic objectives is the responsibility of the BoD. The necessary update and review actions are performed at least once a year and as needed.

The updating and review of operational objectives is the responsibility of the Heads of Departments/Directorates. The necessary update and review actions are carried out when setting new and/or updating and reviewing existing strategic objectives and as necessary.

The CD AD periodically reviews its operational goals with a view to incorporating new technological and business trends.

G03Q036

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

PFMI: Q.2.6.4AGC: n/a

The responsibility for the implementation of the risk management strategy rests with the senior management of the CD AD. However, the risk management and control process is the responsibility of all employees at all hierarchical levels in the CD AD and is key to the success of this procedure.

In order to allocate responsibilities, the Board of Directors appoints a Risk Management Committee and appoints its chairman, who is a person with appropriate experience and is independent of the executive members of the management body. The committee must meet at least twice a year and as needed.

The executive director is the person who ensures the consistency of the CD AD's activities with the goals and strategy of the CD AD determined by the governing body.

The Chief Risk Officer is the person responsible for the coordination of all risk management activities and the manner in which they are to be planned, executed, controlled and monitored by the Board of Directors. He is responsible for the reporting process to the Risk Management Committee and is nominated by the Executive Director.

Each department/directorate has a risk expert who is the head of the department/directorate. The Risk Expert reflects the activity of the Director of Risk Management at department/directorate level, being responsible for all risk management activities and the methods by which they should be planned, executed, controlled and monitored on behalf of the Head of Department/Directorate.

All risks must be allocated to the respective "owners". These owners do not necessarily have to be the Heads of Directorates/Departments - the Risk Experts, but can be employees in positions that best enable them to ensure that the particular risk is managed effectively. Some financial and administrative processes run through several departments, therefore, the day-to-day responsibility for controlling them is shared at different stages of the respective process.

Internal audit has a key role in supporting risk management. The role of internal audit is to provide management with an independent degree of assurance that the internal controls they rely on to manage risk are effective.

G03Q037

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

PFMI: Q.2.6.5AGC: n/a

Control and risk self-assessment is a systematic technique used to identify, classify and evaluate risks and controls. One key difference of CSR from any other technique is the fact that it relies on employees to self-assess themselves and the performance of the business processes in which they participate. At its core, CSR refers to:

Risk identification and control assessment: Identification of business-related risks, including failure to achieve business objectives, and assessment of the effectiveness of risk management activities used to reduce risk to an acceptable level;

Accountability, ownership, and risk management: ensuring that all managers and employees understand their responsibilities and accountabilities in relation to risk and control, rather than maintaining that risk management and monitoring will replace these responsibilities.

The preferred approach to CSR in the Company is based on the idea that employees are the owners of CSR and they are its driving factor.

The Executive Director and the Risk Management Committee are informed of the updated Risk Register to enable them to focus on the highest risks facing the Company. The heads of structural units in the company monitor the risks in the units they manage.

G03Q038

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

PFMI: Q.2.7.1AGC: n/a

The User Committee has been set up.

Rules for management and organization of the Users' Committee at Central Depository.

Article 2:

(1) The Committee is a consultative body in which the interests of the individual users of the settlement system managed by the CD AD are represented, including the interests of the holders of the various types of securities.

(2) The Committee provides advice to the Board of Directors (BoD) of CD AD on matters stipulated in Regulation No. 909 and the delegated regulations governing its implementation."

G03Q039

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

PFMI: Q.2.7.2AGC: n/a

Participants are included in User Committee.

G03Q040

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

PFMI: Q.2.7.2AGC: n/a

CD AD has implemented a conflict of interest procedure approved by the FSC.

G03Q041

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

PFMI: Q.2.7.3AGC: n/a

By public initiatives - information on the website of the company or other communication methods.

G03042

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Comprehensive risk management (PFMI Principle 3)

G04Q001

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

PFMI: Annex A - CSD disclosure template - IV.P3AGC: n/a

CD AD has set rules for determining, managing and minimizing legal, credit, liquidity and operational risk. These rules are included in the CD AD Rules of Procedure and are mandatory for the licensed institutions.

G04Q002

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

PFMI: Q.3.1.1AGC: n/a

Operational risks include risks due to gaps in information systems, internal processes and staff performance, or shocks caused by external events leading to a reduction, deterioration or discontinuation of the services provided by the CD AD. The CD AD identifies, monitors and manages the operational risks it faces in relation to key players, critical services and critical service providers, other CSDs or market infrastructures.

G04Q003

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

PFMI: Q.3.1.1AGC: 66x.

☐ Yes☒ No☐ Not applicable

G04Q004

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

PFMI: Q.3.1.1AGC: 66y.

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

G04Q005

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

PFMI: Q.3.1.1AGC: 66+

☐ Yes☐ No☒ Not applicable

G04Q006

Please define the standard of care applied:

PFMI: Q.3.1.1AGC: 66*

G04Q007

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

PFMI: Q.3.1.2AGC: n/a

The risk management framework in the CD AD includes:

1. Formalization of the risk management policy, which determines the risk culture and philosophy of the CD AD, as well as the degree of risk that the Company is ready to take (appetite for risk taking) in order to achieve its goals;
2. Hierarchy of risks;
3. Risk management process and its components;
4. Adoption of uniform terminology regarding risk management;

G04Q008

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

PFMI: Q.3.1.3AGC: n/a

In accordance with the decision of the Risk Management Committee, the risk appetite of the CD AD was defined as CAUTION.

G04Q009

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

PFMI: Q.3.1.4AGC: n/a

CD AD plays a significant role in the post-trade processing of securities, and understanding and managing exposures is essential for risk mitigation. Here's how these systems provide the capacity to aggregate exposures:

Monitoring and Reporting: CD AD and financial market infrastructures use advanced systems and technology to monitor transactions and positions. This includes tracking trades, securities holdings, and other relevant data. Monitoring allows them to detect any excesses or potential risks quickly.

Position Keeping: CD AD maintain position-keeping systems that record and reconcile the positions of their participants and their customers. These systems aggregate exposure data based on the securities held, the number of transactions, and the value of these positions.

Risk Analytics and Stress Testing: CD AD uses risk analytics and stress testing models to evaluate the impact of various scenarios on its exposures. These models help in understanding the potential risks and stress points in the system. The tests with key participant are executed yearly.

Default Management Procedures: In the event of a participant's default, CD AD has well-defined default management procedures. These procedures often involve the closeout of the defaulting participant's positions and the aggregation of losses or collateral claims across the system.

Collaboration with Regulatory Bodies: CD AD collaborates with regulatory bodies to ensure a comprehensive understanding of market-wide exposures. This collaboration includes sharing data and participating in stress tests and risk assessments conducted by regulators.

G04Q010

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

PFMI: Q.3.1.5AGC: n/a

The responsibility for the implementation of the risk management strategy lies with the top management of the CD AD. However, the risk management and control process is the responsibility of all employees at all hierarchical levels in the CD AD and is key to the success of this procedure.

G04Q011

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

PFMI: Q.3.1.6AGC: n/a

1. Establishes Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs)

and via:

2. Regular Internal Audits

3. External Audits and Reviews

4. Stress Testing and Scenario Analysis

5. Risk Management Committee Reviews

6. Continuous Monitoring and Reporting

7. Incident Management and Post-Incident Reviews

8. Regulatory Compliance and Industry Standards

G04Q012

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

PFMI: Q.3.1.7AGC: n/a

The risk management policies, procedures and systems are reviewed and updated by the CD AD yearly.

G04Q013

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

PFMI: Q.3.2.1AGC: n/a

CD AD plays a crucial role in providing information to their participants and, where relevant, the customers of these participants to help them manage and contain the risks they pose to the CD AD. This information includes:

Transaction Confirmation: CD AD typically provides transaction confirmations to their participants. These confirmations include details of the executed transactions, ensuring that participants have accurate records of their activities.

Settlement Instructions: Participants receive confirmation for accepted settlement instructions and information about the reasons for rejected settlement instructions.

Default and Recovery Information: CD AD informs participants of their rights and obligations in the event of a default by themselves or other participants.

Regulatory Updates: CD AD keeps participants informed about changes in regulations, market rules, and industry practices that may affect their operations and risk management.

Training and Support: CD AD often offers training and support services to participants and their customers. This can include educational programs on risk management, operational procedures, and using the CD AD systems effectively.

G04Q014

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

PFMI: Q.3.2.2AGC: n/a

CD AD had defined clear, measurable requirements for access to the CD system.

CD AD ensures that Rules of procedure are aligned with regulatory requirements.

CD AD approves that the participants meet all the requirements.

G04Q015

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

PFMI: Q.3.2.3AGC: n/a

By adopting a comprehensive, structured approach that includes thorough risk assessment, robust policy development, effective system design, and continuous improvement, the CD AD can enable its participants and customers to manage and contain risks efficiently.

CD AD:

Establishes procedures for reporting, managing, and resolving incidents promptly.

Defines the compliance requirements to ensure participants adhere to legal and regulatory standards.

Develops policies to protect sensitive information and ensure data integrity.

Ensures systems can scale to accommodate varying volumes of transactions and data.

Designs systems with high reliability, redundancy, and uptime to minimize operational disruptions.

Implements robust cybersecurity measures to protect against data breaches and cyber-attacks.

Establishes committees to oversee risk management practices and ensure compliance with policies.

Conducts regular reviews of policies and systems to ensure they remain effective and relevant.

Includes participant representatives in User committee.

Create formal mechanisms for participants to provide feedback and suggestions.

Conducts regular internal audits to evaluate the effectiveness of risk management policies and systems.

Engages external auditors to provide an independent assessment of risk management practices - every 3 years or when needed.

Hosts webinars and online sessions to explain new features, tools, and policy changes.

Provides detailed guidelines and user manuals for all systems and tools

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G04Q016

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

PFMI: Q.3.3.1AGC: n/a

N/A

G04Q017

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

PFMI: Q.3.3.2AGC: n/a

Risk assessment is performed once a year according to the procedure described in the risk assessment policy.

G04Q018

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

PFMI: Q.3.3.3AGC: n/a

CD AD uses a variety of risk management tools to address the risks arising from interdependencies with other entities in the financial system. These interdependencies can include relationships with market participants, other financial infrastructures, and regulatory bodies. Here are some of the risk management tools employed by CD AD in this context:

Risk Assessments and Analysis: CD AD conducts ongoing risk assessments and analysis to identify potential interdependencies and assess their impact on the CD AD's operations. This includes analyzing the risks associated with participants, settlement banks, and other market infrastructures.

Stress Testing: CD AD performs stress tests to evaluate their resilience under adverse conditions, including scenarios involving the failure or default of significant market participants or interconnected entities.

Contingency Planning: CD AD establishes contingency plans and procedures for addressing disruptions or defaults of participants, settlement banks, or other key entities. These plans include communication strategies, alternative settlement arrangements, and recovery mechanisms.

Regulatory Coordination: CD AD coordinates with regulatory authorities to ensure that regulations are in place to manage interdependencies effectively. They also collaborate on joint risk assessments and mitigation strategies.

Legal Agreements: CD AD establishes legal agreements with participants, settlement banks, and other interconnected entities. These agreements define rights, obligations, and dispute resolution mechanisms, including measures for managing risk in case of disputes or defaults.

Information Sharing and Data Exchange: CD AD shares relevant data and information with participants, other financial infrastructures, and regulators to enhance transparency and coordination in risk management.

Governance and Oversight: CD AD maintains robust governance structures and oversight mechanisms as was described earlier to ensure that risk management practices related to interdependencies are consistently followed and reviewed. CD AD is audited internally and externally.

Regular Reporting and Communication: CD AD engages in regular reporting and communication with Ministry of Finance and FSC, to keep them informed about potential risks and mitigation efforts.

Operational Resilience: CD AD invests in operational resilience measures, including disaster recovery, data backup, and redundant systems, to ensure uninterrupted service even in the face of disruptions from interconnected entities. CD AD ensures continuity of the operational process.

G04Q019

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

PFMI: Q.3.3.4AGC: n/a

Regular audits, user feedback, incident analysis, stress testing, and continuous monitoring are essential components of this process.

G04Q020

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

PFMI: Q.3.4.1AGC: n/a

CD AD has introduced rules for determining critical scenarios for major suppliers and key players.

G04Q021

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

PFMI: Q.3.4.2AGC: n/a

Risk management scenarios take into account both independent and related risks to which the CD AD is exposed by considering a holistic and integrated approach. The aim is to comprehensively assess and address the full spectrum of risks that could affect the CD AD operations. Here's how they do it:

Comprehensive Risk Assessment: CD AD conducts comprehensive risk assessments to identify and evaluate various types of risks, including market risk, credit risk, liquidity risk, operational risk, legal and compliance risk, and more. These assessments consider both independent risks (those that arise internally within the CD AD) and related risks (those that stem from interactions with external entities).

Stress Testing and Scenario Analysis: CD AD performs stress tests and scenario analysis that model various risk events and their potential impacts.

Common Risk Factors: Scenarios consider common risk factors that may affect multiple risk types simultaneously. For instance, a cyberattack could lead to both operational risk (system disruption) and legal risk (data breach).

Regulatory Frameworks: CD AD ensures compliance with regulatory frameworks that require them to assess and address both independent and related risks. These regulations often promote a holistic approach to risk management.

Contingency Planning: In scenario planning, CD AD develops contingency plans that address the mitigation of both independent and related risks. These plans outline how the CD AD will respond to various risk events, including those that involve external entities.

Collaboration and Coordination: CD AD collaborates and coordinate with market participants, regulatory bodies, and other financial infrastructures to align risk management practices and improve risk mitigation efforts. For example, in case of participant default, there's coordination between the CD AD, the defaulting participant, and the regulator to manage the related risks.

Operational Resilience: CD AD focuses on building operational resilience that can withstand disruptions caused by various risk events. This includes redundancies, backup systems, and continuity planning to address both independent and related risks.

Continuous Monitoring and Reporting: CD AD maintains ongoing monitoring and reporting mechanisms to track the evolving risk landscape, making adjustments to their risk management strategies as needed. They share this information with stakeholders to promote transparency and informed decision-making.

G04Q022

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

PFMI: Q.3.4.3AGC: n/a

The CD AD has developed a Plan for raising additional capital and for ensuring liquidation and reorganization of the services, in case when the CD AD is not able to attract additional capital and Plan to ensure the transfer of customers' assets and participants to another CSD, in case of revocation of the license of CD AD.

G04Q023

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

PFMI: Q.3.4.4AGC: n/a

The CD AD has developed a Plan for raising additional capital and for ensuring liquidation and reorganization of the services, in case when CD AD is not able to attract additional capital and Plan to ensure the transfer of customers' assets and participants to another CSD, in case of revocation of the license of CD AD.

G04Q024

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

PFMI: Q.3.4.5AGC: n/a

The plans are reviewed in case of necessities.

G04Q025

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Credit risk (PFMI Principle 4)

G05Q001

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

PFMI: Annex A - CSD disclosure template - IV.P4AGC: n/a

CD AD has established an effective system for calculating, managing and collecting the amounts that represent payments for transactions, as well as those that are payable for services. The settlement system is based on the regulatory requirements for the functioning of settlement finality systems. The system for the collection of fees guarantees the collection of all obligations of the participants to CD AD and the non-admission of indebtedness.

G05Q002

Does the CSD have a banking license?

PFMI: n/aAGC: n/a

☐ Yes

☒ No

G05Q003

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

PFMI: n/aAGC: n/a

☐ Yes

☒ No

G05Q004

Please explain:

PFMI: n/aAGC: n/a

G05Q005

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

PFMI: Q.4.1.1AGC: n/a

CD AD does not offer credit exposure management and clearing.

G05Q006

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

PFMI: Q.4.1.2AGC: n/a

The framework is reviewed annually.

G05Q007

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

PFMI: Q.4.2.1AGC: n/a

CD AD does not offer credit exposure management and clearing.

G05Q008

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

PFMI: Q.4.2.2AGC: n/a

CD AD does not offer credit exposure management and clearing.

G05Q009

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

PFMI: Q.4.2.3AGC: n/a

CD AD does not offer credit exposure management and clearing.

G05Q010

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

PFMI: Q.4.3.1AGC: n/a

CD AD does not offer credit exposure management and clearing.

G05Q011

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

PFMI: Q.4.3.1AGC: 78

☒ Yes☐ No☐ Not applicable

G05Q012

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

PFMI: Q.4.3.1AGC: 78a.

BGN 1 000 000

G05Q013

How is the size of the fund determined?

PFMI: Q.4.3.1AGC: 78b.

☒ By participant volume☐ By asset value☐ A fixed amount

G05Q014
How is the fund financed?

PFMI: Q.4.3.1AGC: 78d.

- ☐ Contributions from owner
- ☒ Contributions from participants
- ☐ Funding from retained earnings

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

PFMI: Q.4.3.1AGC: 78e.

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

PFMI: Q.4.3.1AGC: 78f.

0.005% of volume of trades on monthly basis.

G05Q017
Who is covered by the fund?

PFMI: Q.4.3.1AGC: 78h.

- ☒ Direct CSD participants only
- ☒ The beneficial owner also
- ☐ OTHER:

G05Q018
When is the guaranty fund used?

PFMI: Q.4.3.1AGC: 78j.

- ☒ When a broker defaults
- ☒ When a direct participant defaults
- ☒ OTHER: in case of shortage of cash and/or financial instruments.

G05Q019
To what extent do these financial resources cover the payment system's or SSS's current and potential future exposures fully with a high degree of confidence? How frequently does the payment system or SSS evaluate the sufficiency of these financial resources?

PFMI: Q.4.3.2AGC: n/a

To the total fund amount. The assessment is executed monthly.

G05Q020
If the payment system or SSS is a DNS system in which there is no settlement guarantee, do its participants face credit exposures arising from the payment, clearing and settlement processes? If there are credit exposures in the system, how does the system monitor and measure these exposures?

PFMI: Q.4.3.3AGC: n/a

N/A

G05Q021

Please confirm whether you maintain insurance policies to cover any liabilities and indemnities that you may incur in connection to the services you provide.

PFMI: Q.4.3.3 AGC: 91

- ☐ No insurance
- ☐ Insurance to cover losses in the event of Default on settlement commitments by the depository or a participant (please answer 91a)
- ☐ 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) (please answer 91b)
- ☐ Insurance for Operational Errors and Error & Omissions (please answer 91c)
- ☐ Insurance for the Premises
- ☐ OTHER:

G05Q022

For insurance of default on settlement, what is the amount of the coverage and the amount of deductible? Please also indicate the currency.

PFMI: Q.4.3.3 AGC: 91a

G05Q023

For Fidelity insurance, what is the amount of the coverage and the amount of deductible? Please also indicate the currency.

PFMI: Q.4.3.3 AGC: 91b

G05Q024

Please explain other loss or default protections:

PFMI: Q.4.3.3AGC: 79a

G05Q025

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

PFMI: Q.4.3.3AGC: 66q.

- ☐ Yes
- ☐ No
- ☒ Not applicable

G05Q026

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

PFMI: Q.4.3.3AGC: 66r.

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

G05Q027

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

PFMI: Q.4.3.4AGC: n/a

The payment system managed by the BNB has its own guarantee fund. System with settlement finality for securities and financial instruments, has a settlement guarantee fund. The fund can cover obligations of participants in bankruptcy - up to the total amount collected in the fund - BGN 1,000,000.

G05Q028

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

PFMI: Q.4.7.1AGC: n/a

Amounts owed by a participant in bankruptcy that cannot be paid shall be deducted from the accumulated funds of that participant's account in the Fund after all other liabilities have been discharged.

G05Q029

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

PFMI: Q.4.7.2AGC: n/a

According to the Rules of procedure, participants must make additional contributions to replenish the fund.

G05Q030

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules of Procedure

1

Collateral (PFMI Principle 5)

G06Q001

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

PFMI: Annex A - CSD disclosure template - IV.P5AGC: 35c

CD AD exercises control over the collateral only in the case of margin purchases, short sales and FI lending/borrowing. CD AD does not have a banking license and does not credit its members. Since transactions' settlement are with CB money, no collateral control services are provided for overnight loans.

G06Q002

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

PFMI: Q.5.1.1AGC: n/a

As per Articles 189-192 of the Rules of procedure of CD AD (attached file).

G06Q003

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

PFMI: Q.5.1.2 AGC: n/a

As per Articles 189-192 of the Rules of procedure of CD AD (attached file).

G06Q004

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

PFMI: Q.5.1.3AGC: n/a

As per Articles 189-192 of the Rules of procedure of CD AD (attached file).

G06Q005

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

PFMI: Q.5.2.1AGC: n/a

As per Articles 189-192 of the Rules of procedure of CD AD (attached file).

G06Q006

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

PFMI: Q.5.2.2AGC: n/a

As per Articles 189-192 of the Rules of procedure of CD AD (attached file).

G06Q007

How does the CSD determine haircuts?

PFMI: Q.5.2.3AGC: n/a

As per Articles 189-192 of the Rules of procedure of CD AD (attached file).

G06Q008

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

PFMI: Q.5.2.4AGC: n/a

As per Articles 189-192 of the Rules of procedure of CD AD (attached file).

G06Q009

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

PFMI: Q.5.3.1AGC: n/a

As per Articles 189-192 of the Rules of procedure of CD AD (attached file).

G06Q010

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

PFMI: Q.5.4.1AGC: n/a

CD AD only monitors and reports to the Financial Supervision Commission the changes in certain values related to the concentration of ownership of assets, but does not have the right to develop policy and introduce measures.

G06Q011

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

PFMI: Q.5.4.2AGC: n/a

CD AD only monitors and reports to the Financial Supervision Commission the changes in certain values related to the concentration of ownership of assets, but does not have the right to develop policy and introduce measures.

G06Q012

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

PFMI: Q.5.5.1AGC: n/a

CD AD does not bear legal and operational risks in the registration of collateral (including cross-border), because it provides a settlement system and is not a central counterparty.

G06Q013

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

PFMI: Q.5.5.2AGC: n/a

CD AD is not a guarantor in the registration of collateral (including cross-border) because it provides a settlement system and is not a central counterparty.

G06Q014

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

PFMI: Q.5.6.1AGC: n/a

As per the Rules of procedure of CD AD (attached file).

G06Q015

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

PFMI: Q.5.6.2AGC: n/a

CD AD performs all actions that the client has requested as a service in accordance with the EU and national legislation.

G06Q016

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

PFMI: Q.5.6.3AGC: n/a

CD AD performs all actions that the client has requested as a service in accordance with the regulations of Bulgaria and the EU.

G06Q017

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

PFMI: Q.5.6.4AGC: n/a

The security monitoring and management system works automatically. Only monitoring of its smooth operation is required.

G06Q018

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules and Procedure

1

Liquidity risk (PFMI Principle 7)

G07Q001

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

PFMI: Annex A - CSD disclosure template - IV.P7AGC: n/a

CD AD manages a system with settlement finality, which also ensures payments for securities transactions. The system guarantees delivery against payment for transactions on the regulated market by connecting to the payment system operated by the National Bank. Working mechanisms ensure the security payments and guarantee the securities' delivery.

G07Q002

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

PFMI: Q.7.1.1AGC: n/a

CD AD makes payments only in BGN and EUR. Payments in BGN are made through RINGS - the BNB payment system, and payments in EUR - through T2S. In both cases, the CD AD receives information about the available amounts of the participants on their cash settlement accounts. Based on this information and the received transaction data, the net liabilities of each of the participants are calculated.

G07Q003

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

PFMI: Q.7.1.2AGC: n/a

The amount of necessary liquid funds is determined by the total daily trading volume, including OTC DVP transactions, and it is not possible to be presented in a specific figure.

G07Q004

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

PFMI: Q.7.1.3AGC: n/a

The risk assessment rules for each of the participants, regarding their participation in the settlement system, are described in the Rules of Procedure of CD AD.

G07Q005

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

PFMI: Q.7.2.1AGC: n/a

CD AD uses software algorithms to analyze the data related to the transaction information of each of the participants.

G07Q006

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

PFMI: Q.7.2.2AGC: n/a

The algorithms monitor and evaluate the participants' activities, based on the information received from them and from the banks, regarding their cash settlement accounts. This data is collected continuously during the day and the evaluation is performed 14 times per day.

G07Q007

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

PFMI: Q.7.3.1AGC: n/a

The settlement system determines the obligations of each of the participants separately on the basis of the data on the transactions in which the specific participant is a party, as well as on the data from the banks, on the available cash amounts. These obligations are individual for each participant.

Stress tests aim to determine participants' readiness to react to various critical situations, including participant bankruptcy. Part of the scenarios are based on the hypothetical receipt of information about the bankruptcy of a systemically important participant.

G07Q008

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

PFMI: Q.7.3.2AGC: n/a

The estimated size of the liquidity shortfall cannot be determined.

G07Q009

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

PFMI: Q.7.4.1AGC: n/a

N/A

G07Q010

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

PFMI: Q.7.4.2AGC: n/a

N/A

G07Q011

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

PFMI: Q.7.4.3AGC: n/a

N/A

G07Q012

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

PFMI: Q.7.4.4AGC: n/a

N/A

G07Q013

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

PFMI: Q.7.5.1AGC: n/a

CD AD does not hold assets for the transactions' successful settlement. All the assets needed for transactions' completion are held in the accounts of their owners. The CD AD manages a settlement guarantee fund, amounted BGN 1,000,000. These assets can cover obligations of the participants, both in BGN and in EUR. The assets are liquid and can be used within the time limit set for the activation of the guarantee fund.

G07Q014

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

PFMI: Q.7.5.2AGC: n/a

CD AD has rules for managing the funds in the settlement guarantee fund. No obstacles detected.

G07Q015

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

PFMI: Q.7.5.3AGC: n/a

N/A

G07Q016

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

PFMI: Q.7.5.4AGC: n/a

Up to the amount of funds in the settlement guarantee fund.

G07Q017

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

PFMI: Q.7.6.1AGC: n/a

50% - in an account with BNB

50% - in government securities

G07Q018

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

PFMI: Q.7.6.2AGC: n/a

On the bases on collected statistical information and in-depth analysis of the number of pending transactions, compared to the total number of transactions, as well as transaction volumes. The decision is made by a special committee for managing the settlement guarantee fund.

G07Q019

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

PFMI: Q.7.6.3AGC: n/a

N/A

G07Q020

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

PFMI: Q.7.6.4AGC: n/a

The supplemental liquid resources (the resources on the accounts of the participants in the settlement guarantee fund) are used in the event of a shortage of cash or financial instruments on the side of the participant, which the participant cannot cover.

G07Q021

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

PFMI: Q.7.6.5AGC: n/a

The size and availability of the CD AD supplemental liquid resources cover the relevant liquidity needs to the amount collected in the fund.

G07Q022

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

PFMI: Q.7.7.1AGC: n/a

No

G07Q023

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

PFMI: Q.7.7.2AGC: n/a

N/A

G07Q024

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

PFMI: Q.7.7.3AGC: n/a

N/A

G07Q025

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

PFMI: Q.7.7.4AGC: n/a

N/A

G07Q026

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

PFMI: Q.7.8.1AGC: n/a

CD AD is a participant in the payment system managed by the Central Bank. Through this payment system the CD AD has access to the accounts of all banks- participants. For payments in EUR - CD AD operates an auxiliary settlement system via the national operator - BNB.

G07Q027

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

PFMI: Q.7.8.2AGC: n/a

CD AD uses the national payment system for all cash transactions. Risk management in the payment system is managed by the rules of the Central Bank for participation in the payment system.

G07Q028

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

PFMI: Q.7.8.3AGC: n/a

N/A

G07Q029

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

PFMI: Q.7.8.4AGC: n/a

N/A

G07Q030

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

PFMI: Q.7.9.1AGC: n/a

CD AD executes stress tests every year. There are not any relationship between the settlement guarantee fund amount and the stress tests.

G07Q031

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

PFMI: Q.7.9.2AGC: n/a

The results of the stress tests are reported to the BoD of the CD AD.

G07Q032

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

PFMI: Q.7.9.3AGC: n/a

The scenarios are based on hypotheses leading to critical situations, including cash shortages and bankruptcy of a participant. The scenarios are based on the collected statistical information on the transactions during the year, as well as on the registered cases of non-compliance.

G07Q033

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

PFMI: Q.7.9.4AGC: n/a

The scenarios are in conformity with the functioning of the settlement system managed by the CD AD.

G07Q034

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

PFMI: Q.7.9.5AGC: n/a

The scenarios are based on the real indicators that CD AD reports as the amount of funds collected in the settlement guarantee fund.

G07Q035

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

PFMI: Q.7.9.6AGC: n/a

CD AD assesses the effectiveness and appropriateness of stress test assumptions and parameters after each test' execution. The stress tests are conducted jointly with the participants and the regulated market.

G07Q036

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

PFMI: Q.7.9.7AGC: n/a

CD AD is a licensed depository institution. As such, it is subject to regular inspections by the national regulator. With each inspection, an analysis of the rules for assessment and monitoring of the risk is also carried out.

G07Q037

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

PFMI: Q.7.9.8AGC: n/a

All results, analyzes and prescriptions are duly documented and stored for the purposes of reporting the changes made. Some of the documents are published on the CD AD website.

G07Q038

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

PFMI: Q.7.10.1AGC: n/a

All rules are based on the existing requirements of the settlement discipline regulations. All requirements are for the benefit of the timely transactions' settlement. This is guaranteed through introduced sanctions - financial and administrative for the participants who caused a delay.

G07Q039

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

PFMI: Q.7.10.2AGC: n/a

The rules are based on the requirements of the settlement discipline regulations. All deviations are sanctioned and no exceptions to the rules are allowed.

G07Q040

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

PFMI: Q.7.10.3AGC: n/a

CD AD rules require all participants who used funds from the settlement guarantee fund to reimburse them immediately after the transaction is completed.

G06Q041

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Settlement finality (PFMI Principle 8)

G08Q015

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

G08Q001

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

PFMI: Annex A - CSD disclosure template - IV.P8AGC: n/a

CD AD has defined precise and clear Rules of Procedure, which unequivocally indicate the moment of finality. These Rules are subject to approval by the national regulator, as well as inspections by the FSC for their compliance. Daily there are three settlement batches.

G08Q002

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

PFMI: Q.8.1.1AGC: n/a

Rules of Procedure of CD AD

Article 129. (1) The moment after which the order for recording of a transfer accepted by the system of the CD cannot be cancelled by a participant in the system or by a third party and the execution of the order cannot be prevented in another way shall be defined as follows:

1. (amended – Minutes No 11 of 14.04.2021) for transactions concluded on a trading venue and transactions recorded and messaged through the trading venue, the moment of irrevocability and finality shall be the moment when the information about the transaction received by the trading venue and the received messages identifying the end transferor are matched;
2. (amended – Minutes No 11 of 14.04.2021) for transactions concluded outside a trading venue, the moment of irrevocability and finality shall be the moment of when a transfer is formed from the instructions received by the parties to the transaction

G08Q003

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

PFMI: Q.8.1.2AGC: n/a

Rules of Procedure of CD AD**Article 129.**

(2) No participant in the Clearing and Settlement System (CSS) or third party can cancel an order accepted by the system or prevent in another way the execution of an order accepted by the system after the moment defined in accordance with paragraph 1. After that moment the CD shall not apply attachments or execute orders for registration of pledges and other collateral on the financial instruments subject of the relevant transaction.

G08Q004

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

PFMI: Q.8.1.3AGC: n/a

CD AD does not allow deviation from the Rules of Procedure and violation of the principles. The Rules are approved by the FSC, which is an additional guarantee of the compliance with the national regulations.

G08Q005

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

PFMI: Q.8.1.4AGC: n/a

CD AD ensures the settlement finality for all transactions that are concluded through CSS. For the settlement systems in which CD AD is a participant, the CD AD transfers their settlement finality rules to its members.

G08Q006

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

PFMI: Q.8.2.1AGC: n/a

CD AD can execute instructions for same day settlement when these instructions are for a transaction, in accordance with the applicable rules. CD AD provides daily three separate settlement batches, in which all transactions that are on the settlement day can be completed, provided that the participants have fulfilled all the necessary requirements.

G08Q007

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

PFMI: Q.8.2.2AGC: n/a

Never.

G08Q008

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

PFMI: Q.8.2.3AGC: n/a

CD AD ensures the completion of intraday transactions, but there is no functionality provided by the central bank for real-time settlement. For intraday transactions, a special algorithm has been built, which binds sales and purchase transactions. In case if there is an indication that the purchase transaction will be completed on time, provides the necessary processing for sale transaction completion as well.

G08Q009

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

PFMI: Q.8.2.4AGC: n/a

CD AD performs three settlement batches per working day: 10:30 a.m.; 12:30 and 3:10 p.m. Participants should have secured sufficient resources to close trades at least half an hour before these hours. If there is not enough resource, the transaction is postponed for the next processing. CD AD carries out intermediate processing in order the necessary liquidity for the next settlement batch to be provided by the participants.

G08Q010

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

PFMI: Q.8.2.5AGC: n/a

The introduction of real-time settlement depends on the National Bank. The CD AD is unable to predict whether such an opportunity will be provided.

G08Q011

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

PFMI: Q.8.3.1AGC: n/a

Rules of Procedure of CD AD

Article 129. (1) The moment after which the order for recording of a transfer accepted by the system of the CD cannot be cancelled by a participant in the system or by a third party and the execution of the order cannot be prevented in another way shall be defined as follows:

1. (amended – Minutes No 11 of 14.04.2021) for transactions concluded on a trading venue and transactions recorded and messaged through the trading venue, the moment of irrevocability and finality shall be the moment when the information about the transaction received by the trading venue and the received messages identifying the end transferor are matched;
2. (amended – Minutes No 11 of 14.04.2021) for transactions concluded outside a trading venue, the moment of irrevocability and finality shall be the moment of when a transfer is formed from the instructions received by the parties to the transaction.
- (2) No participant in the CSS or third party can cancel an order accepted by the system or prevent in another way the execution of an order accepted by the system after the moment defined in accordance with paragraph 1. After that moment the CD shall not apply attachments or execute orders for registration of pledges and other collateral on the financial instruments subject of the relevant transaction.
- (3) In case of an incorrectly submitted order, the participant in the CSS may correct it for the purpose and if the settlement of the respective transaction is ensured. Corrections under the previous sentence are allowed until the financial instruments are blocked for the purposes of settlement.
- (4) (new – Minutes No 11 of 14.04.2021, in force from 1.06.2021) Bilateral cancellation of settlement instructions agreed by the CSS, which are part of the same transaction, shall be allowed until the financial instruments are blocked for the purposes of settlement. The facility for bilateral cancellation by the participants according to Article 7 of Regulation (EU) 2018/1229 shall be defined in the instructions for the operation of the CSS.
- (5) (renumbered from subparagraph 4 – Minutes No 11 of 14.04.2021) Transfer orders accepted by the CSS shall be executed regardless of any disputes or claims, except in the cases set out in the extant legislation. Compensations for damages shall be regulated by the provisions of the commercial and civil law.

G08Q012

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

PFMI: Q.8.3.2AGC: n/a

Rules of Procedure of CD AD

Article 129.

- (4) (new – Minutes No 11 of 14.04.2021, in force from 1.06.2021) Bilateral cancellation of settlement instructions agreed by the CSS, which are part of the same transaction, shall be allowed until the financial instruments are blocked for the purposes of settlement.

G08Q013

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

PFMI: Q.8.3.3AGC: n/a

No exceptions are allowed.

G08Q014

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

PFMI: Q.8.3.4AGC: n/a

These rules are described and defined in the Rules of Procedure of CD AD. The regulations are subject to approval by the FSC and are published on the CD AD website.

<https://www.csd-bg.bg/md/documentInternal.xhtml>

Money settlements (PFMI Principle 9)

G09Q001

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

PFMI: Annex A - CSD disclosure template - IV.P9AGC: n/a

Nevertheless that the settlement is executed with CB money via the National bank payment system, according to the current rules, all participants provide consent to the banks (where their settlement accounts are held with), to disclose to the CD AD the information about the available cash amounts .

Banks provide this information at least three times a day. The lack of information about available funds on a participant's settlement account automatically removes the respective transactions from the settlement processing.

G09Q002

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

PFMI: Q.9.1.1AGC: n/a

The RINGS system of the Central Bank is used for settlement in BGN. For settlement in EUR, the conditions and rules of T2S are complied with.

G09Q003

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

PFMI: Q.9.1.1 AGC: 31, 31b

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

G09Q004

Please indicate the name of the banks appointed by the CSD

PFMI: Q.9.1.1 AGC: 31a

All commercial banks, members of the CD AD

G09Q005

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

PFMI: Q.9.1.1AGC: 32

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

G09Q006

Please name banks appointed by the CSD

PFMI: Q.9.1.1AGC: 32a

G09Q007

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

PFMI: Q.9.1.1 AGC: 33, 33b

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

G09Q009

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

PFMI: Q.9.1.1 AGC: 34, 34b

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

Please name banks appointed by CSD

PFMI: Q.9.1.1AGC: 34a

TBI BANK EAD

[illegible]

G09Q011

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

PFMI: Q.9.1.2AGC: n/a

G09Q012

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

PFMI: Q.9.2.1AGC: n/a

As per Articles 116-124, Rules of procedure of CD AD (attached file)

G09Q013

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

PFMI: Q.9.2.2AGC: n/a

As per Articles 116-124, Rules of procedure of CD AD (attached file)

G09Q014

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

PFMI: Q.9.3.1AGC: n/a

As per Articles 116-124, Rules of procedure of CD AD (attached file).

G09Q015

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

PFMI: Q.9.3.2AGC: n/a

As per Articles 116-124, Rules of procedure of CD AD (attached file).

G09Q016

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

PFMI: Q.9.3.3AGC: n/a

As per Articles 116-124, Rules of procedure of CD AD (attached file).

G09Q017

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

PFMI: Q.9.4.1AGC: n/a

As per Articles 116-124, Rules of procedure of CD AD (attached file).

G09Q018

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

PFMI: Q.9.5.1AGC: n/a

As per Articles 116-124, Rules of procedure of CD AD (attached file).

G09Q019

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

PFMI: Q.9.5.2AGC: n/a

As per Articles 116-124, Rules of procedure of CD AD (attached file).

G09Q020

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

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CDAD Rules of Procedure

1

Physical deliveries (PFMI Principle 10)

G10Q001

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

PFMI: Annex A - CSD disclosure template - IV.P10AGC: n/a

CD AD maintains a register and ensures settlement only of dematerialized and immobilized financial instruments. CD AD does not provide physical delivery of financial instruments or other types of traded assets, even related to derivatives

G10Q002

Which asset classes does the CSD accept for physical delivery?

PFMI: Q.10.1.1AGC: n/a

CD AD does not accept assets for physical delivery.

G10Q003

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

PFMI: Q.10.1.2AGC: n/a

CD AD does not accept assets for physical delivery.

G10Q004

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

PFMI: Q.10.1.3AGC: n/a

CD AD does not accept assets for physical delivery.

G10Q005

How are eligible securities lodged in the CSD system?

PFMI: Q.10.1.3 AGC: 57, 57a

- ☐ A registered certificate in the name of the CSD is delivered to the CSD.
- ☐ A participant delivers the security with a valid transfer deed or stock power or other transfer document to the CSD which then effects registration.
- ☐ A registrar re-registers the security in the name of the CSD.
- ☐ Not applicable
- ☒ OTHER: As per Article 34-45, Rules of procedure of CDAD (attached file)

G10Q006

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

PFMI: Q.10.1.3 AGC: 58, 58a

- ☐ Securities are reflected in the participant's CSD account immediately upon delivery to the CSD.
- ☐ Securities are re-registered prior to being reflected in the participant CSD account.
- ☐ Not applicable
- ☒ OTHER: As per Article 34-45, Rules of procedure of CDAD (attached file)

G10Q007

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

PFMI: Q.10.1.3 AGC: 59, 59b

- ☐ 1 to 2 days
- ☒ 3 days to 1 week
- ☐ 2 to 4 weeks
- ☐ More than 4 weeks
- ☐ Not applicable

G10Q008

Please specify

PFMI: Q.10.1.3AGC: 59a

G10Q009

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

PFMI: Q.10.1.3AGC: 60

- ☐ Yes
- ☒ No
- ☐ Not applicable

G10Q010

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

PFMI: Q.10.1.3AGC: 60a

- ☐ Yes
- ☒ No
- ☐ Not applicable

G10Q011

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

PFMI: Q.10.1.3AGC: 60b

- ☐ Yes
- ☒ No
- ☐ Not applicable

G10Q012

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

PFMI: Q.10.1.3AGC: 60c

G10Q013

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

PFMI: Q.10.1.3AGC: 60d

As per Article 34-45, Rules of procedure of CD AD (attached file).

G10Q014

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

PFMI: Q.10.1.3AGC: 60e

As per Article 34-45, Rules of procedure of CD AD (attached file).

G10Q015

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

PFMI: Q.10.1.3 AGC: 61, 61d

- ☐ Yes
- ☐ No
- ☐ Not applicable
- ☒ Other: As per Article 34-45, Rules of procedure of CD AD (attached file)

G10Q016

If no: Securities are unavailable for

PFMI: Q.10.1.3AGC: 61a

- ☐ 1 to 2 days
- ☐ 3 days to 1 week
- ☐ 2 to 4 weeks
- ☐ More than 4 weeks
- ☐ Not applicable

G10Q017

If more than 4 weeks, please specify

PFMI: Q.10.1.3AGC: 61b

G10Q018

If not applicable, please explain

PFMI: Q.10.1.3AGC: 61c

As per Article 34-45, Rules of procedure of CD AD (attached file).

G10Q019

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

PFMI: Q.10.1.3 AGC: 63, 63a

- ☐ 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 beneficia
- ☐ Securities are re-certificated and delivered as bearer instruments.
- ☐ Securities are transferred as is any physical delivery in the market.
- ☐ Not applicable
- ☒ Other: As per Article 82-87, Rules of procedure of CD AD (attached file)

G10Q020

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

PFMI: Q.10.1.3 AGC: 64, 64b

- ☐ 1 to 2 days
- ☒ 3 days to 1 week
- ☐ 2 to 4 weeks
- ☐ More than 4 weeks
- ☐ Not applicable

G10Q021

If more than 4 weeks, please specify

PFMI: Q.10.1.3AGC: 64a

G10Q022

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

PFMI: Q.10.1.3AGC: 65a

- ☐ No
- ☐ Not applicable
- ☐ Yes
- ☒ Other: They can be traded, but not on the official market and not through the CD AD

G10Q023

If they cannot be traded please explain

PFMI: Q.10.1.3 AGC: 65b

G10Q024

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

PFMI: Q.10.1.3AGC: 65c

- ☒ No
- ☐ Not applicable
- ☐ Yes

G10Q025

If they cannot be settled, please explain

PFMI: Q.10.1.3AGC: 65d

They can be traded, but not on the official market and not through the CD AD.

G10Q026

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

PFMI: Q.10.1.3AGC: 65e

- ☐ No
- ☐ Not applicable
- ☐ Yes
- ☒ Other: They can be traded, but not on the official market and not through the CD AD

G10Q027

If ownership cannot be transferred, please explain

PFMI: Q.10.1.3AGC: 65f

G10Q028

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

PFMI: Q.10.2.1AGC: n/a

CDAD does not accept assets for physical delivery.

G10Q029

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

PFMI: Q.10.2.1AGC: 75

- ☒ Not applicable, no vault is maintained
- ☐ Electronic keys or combinations
- ☐ Dual access control
- ☐ Visitor logs
- ☐ Vault counts
- ☐ Intrusion alarms
- ☐ Fire alarms
- ☐ Guards
- ☒ OTHER: CD AD does not accept assets for physical delivery.

G10Q030

Please indicate frequency of vault counts:

PFMI: Q.10.2.1AGC: 75a.

G10Q031

Please explain:

PFMI: Q.10.2.1AGC: 75b

CD AD does not accept assets for physical delivery.

G10Q032

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

PFMI: Q.10.2.2AGC: n/a

CD AD does not accept assets for physical delivery.

G10Q033

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

PFMI: Q.10.2.3AGC: n/a

As per Rules of procedure of CD AD (attached file).

G10Q034

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

PFMI: Q.10.2.4AGC: n/a

As per Rules of procedure of CD AD (attached file).

G10Q035

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules of Procedure

1

Central Securities Depositories (PFMI Principle 11)

G11Q001

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

PFMI: Annex A - CSD disclosure template - IV.P11AGC: n/a

CD AD maintains an end-investors (beneficial owners) Register for each of the registered issues. Each investor has a separate account with each of the CD AD participants and this guarantees the safekeeping of the financial instruments. Each of the beneficial owners is defined as the owner of the total number of financial instruments he/she possesses, regardless of their type and the number of accounts he/she keeps. It is sufficient that these accounts are registered by the name of the investor - regardless of whether it is a natural person or a legal entity. The CD AD keeps only dematerialized, or immobilized financial instruments. The Immobilized financial instruments are kept as book entries FI in the Register, however their physical carriers are kept in a specially designated safe, according to the Rules of Regulation of CD AD.

G11Q002

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

PFMI: n/a AGC: 26

☐ Government securities☒ Equities☒ Corporate bonds☐ Corporate money market☐ Not applicable☒ OTHER: Compensatory Instruments, Units of Collective Investment Schemes, Warrants, Rights, Municipal Bonds.

G11Q003

Please name the other security types:

PFMI: n/aAGC: 26a.

Compensatory Instruments, Units of Collective Investment Schemes, Warrants, Rights, Municipal Bonds.

G11Q004

For all instrument types eligible for settlement in your depository, please confirm if settlement is compulsory by law or compulsory by market practice, or both? (Choose all that apply.)

PFMI: n/a AGC: 27 (part 1), 27c

- ☐ Yes by law for all instrument types (please answer 27a)
- ☐ Yes by market practice for all instrument types (please answer 27b)
- ☒ Yes by law and by market practice, for all instrument types (please answer 27b)
- ☐ OTHER:

G11Q004A

For all instrument types eligible for safekeeping in your depository, please confirm if safekeeping is compulsory by law or compulsory by market practice, or both? (Choose all that apply.)

PFMI: n/a AGC: 27 (part 2), 27c

- ☐ Yes by law for all instrument types (please answer 27a)
- ☐ Yes by market practice for all instrument types (please answer 27b)
- ☒ Yes by law and by market practice, for all instrument types (please answer 27b)
- ☐ OTHER:

G11Q005

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

PFMI: n/a AGC: 27a. (i)

Government bonds are held in Bulgarian National Bank depository.

Bearer FI

G11Q006

(ii) safekeep in your CSD:

PFMI: n/a AGC: 27a. (ii)

Government bonds

Bearer FI

G11Q007

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

PFMI: n/a AGC: 27b. (i)

Government bonds

Bearer FI

G11Q008

(ii) safekeep in your CSD:

PFMI: n/a AGC: 27b. (ii)

Government bonds

Bearer FI

G11Q009

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

PFMI: n/a AGC: 28 28a

G11Q010

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

PFMI: n/a AGC: 28b.

G11Q011

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

PFMI: Q.11.1.1AGC: n/a

All issues of dematerialised financial instruments, /with exception of government bonds/ are considered owned by the holders from the moment of registration in the registry of CD AD.

G11Q012

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

PFMI: Q.11.1.1AGC: 44a

☒ Yes☐ No

G11Q013

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

PFMI: Q.11.1.1AGC: 44b

Pursuant to the Bulgarian legislation and the Rules of Procedure of CD AD, in the event a participant's single account is blocked for any reason, the Financial Supervision Commission sets a deadline to the default participant to transfer the clients' accounts to another participant. If the participant does not meet the deadline, the transfer is done by the CD AD ex officio. This ensures clients uninterrupted access to their securities.

G11Q014

By the intervening authorities controlling insolvency or other proceedings?

PFMI: Q.11.1.1AGC: 44d.

☐ Yes☒ No

G11Q015

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

PFMI: Q.11.1.1AGC: 44e.

G11Q016

By the participant's creditors?

PFMI: Q.11.1.1 AGC: 44g, 44i

☐ Yes☒ No

G11Q017

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

PFMI: Q.11.1.1AGC: 44h

G11Q018
By the CSD's creditors?

PFMI: Q.11.1.1 AGC: 44j.

☐ Yes

☒ No

G11Q019
If yes, please describe briefly under what conditions access would be granted to the CSD's creditors:

PFMI: Q.11.1.1 AGC: 44k.

G11Q020
What is your document and record retention policy for documents and records described above in this section?

PFMI: Q.11.1.1 AGC: 47, 47a

☐ 6 months or less

☐ 1 year

☐ 3 years

☐ 5 years

☐ 7 years

☐ 10 years

☒ Other: permanently

G11Q021
Does the law protect participant assets from claims and liabilities of the CSD?

PFMI: Q.11.1.1 AGC: 54

☒ Yes

☐ No

☐ Not applicable

G11Q022
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. (Choose all that apply.)

PFMI: Q.11.1.1 AGC: 55

☐ Yes, for proprietary accounts (please answer 55a)

☒ No

☐ Yes, for client designated accounts (Please answer 55b)

G11Q023

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

PFMI: Q.11.1.1 AGC: 55a

☐ Fees and expenses

☐ Collateralization of overdrafts

☐ To secure payment for purchased securities

☐ OTHER:

G11Q024

Please describe:

PFMI: Q.11.1.1AGC: 55b

G11Q025

Please describe highlighting any difference in approach between proprietary and client designated accounts.

PFMI: Q.11.1.1 AGC: 55c

-oth-

G11Q026

Please indicate the limits of this lien as indicated below: (Choose all that apply.)

PFMI: Q.11.1.1 AGC: 55d

- ☐ Liens are limited to securities in the course of purchase and sale transactions, but do not extend to settled positions.
- ☐ Clients fully settled positions are protected from placement of Liens other than where there is a court order.
- ☐ Other (please answer 55g)

G11Q027

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

PFMI: Q.11.1.1AGC: 55e

- ☐ Yes
- ☐ No

G11Q028

If yes, please indicate whether:

PFMI: Q.11.1.1 AGC: 55f

- ☐ The lien is placed on the most liquid securities in the account
- ☐ The lien is placed on the securities with the greatest value in the account
- ☐ The lien can only be placed for the securities/trades in question

G11Q029

Please explain:

PFMI: Q.11.1.1AGC: 55g

G11Q030

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

PFMI: Q.11.1.1AGC: 55h

- ☐ Yes
- ☐ No

G11Q031

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

PFMI: Q.11.1.1AGC: 55j

- ☐ Yes
- ☐ No

G11Q032

If yes, are the restrictions accomplished by:

PFMI: Q.11.1.1AGC: 55k

☐

Contract between the CSD and the participant

G11Q033

Please explain:

PFMI: Q.11.1.1AGC: 55l

CD AD is obligated to inscribe liens on clients' accounts in accordance to the Civil Procedures Code and Tax Insurance Procedure Code.

G11Q034

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

PFMI: Q.11.1.1 AGC: 56, 56e

☒

Yes

☐

No

☐

Not applicable

G11Q035

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

PFMI: Q.11.1.1AGC: 56a

☐

At the end of the business day on which the transfer occurs

☒

When corresponding money or other consideration is transferred

☐

When the transaction is processed on an intra-day basis

G11Q036

Please describe:

PFMI: Q.11.1.1AGC: 56b

G11Q037

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

PFMI: Q.11.1.1AGC: 56c

☐

On the CSD books

☒

On the registrars books

G11Q038

Please describe:

PFMI: Q.11.1.1AGC: 56d

G11Q039

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

PFMI: Q.11.1.2AGC: n/a

CD AD is not legally entitled to hold securities on behalf of participants at its own account.

G11Q040

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

PFMI: Q.11.1.2AGC: 45

☒ Computer file☐ Hard copy☐ OTHER:

G11Q041

In which format is the source data maintained?

PFMI: Q.11.1.2AGC: 45b

ORACLE DATABASE

G11Q042

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

PFMI: Q.11.1.3AGC: n/a

External audits are carried out every six months. They are sufficiently detailed and precise.

Internal audit are carried out as per Articles 229-249 in Rules of procedure of CD AD (attached file).

G11Q043

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

PFMI: Q.11.1.4AGC: n/a

The creation and deletion of securities in the CSS are related to the registration of applications by the issuer or a relevant competent authority. The practice of checking with 4 eyes has been introduced. Each operation should be mandatory binded with an available application from the issuer or another competent authority in the system.

G11Q044

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

PFMI: Q.11.1.5AGC: n/a

The number of financial instruments into client's or own accounts of the shareholders may not differ from the number of securities that represent the capital of the issuer (respectively the number of securities in a particular issue). It is not possible for securities to appear or disappear. Financial instruments can only be moved from one account to another as a result of trading or a change of custodian. This concept is captured in the program code of the information system ensuring the functioning of the CD AD.

As per Articles 112-115 and 132-133 in Rules of procedure of CD AD (attached file).

G11Q045

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

PFMI: Q.11.1.6AGC: n/a

CD AD is also an official register of dematerialized financial instruments.

G11Q046

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

PFMI: Q.11.1.6AGC: 52i

As per Rules of procedure of CD AD art. 38-39.

G11Q047

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

PFMI: Q.11.2.1AGC: n/a

CD AD does not offer an option for overdraft or debit balances.

G11Q048

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

PFMI: Q.11.3.1AGC: n/a

At present, the CD AD (as an official registrar of securities) maintains and operates only with dematerialized financial instruments. 100% of the transactions are with dematerialized securities.

G11Q049

How are CSD eligible securities held by the CSD?

PFMI: Q.11.3.1 AGC: 50, 50a

☒ In dematerialized form

☐ In certificated form

☐ OTHER:

G11Q050

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

PFMI: Q.11.3.2AGC: n/a

Yes, it is possible. This is the end goal of the immobilization of the financial instruments. CD AD does not maintain statistics on the immobilized financial instruments ratio to all of the registered financial instruments per bearer. However, their ratio to all of the registered financial instruments is less than 1%, the same as the transactions' ratio.

G11Q051

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

PFMI: Q.11.3.2AGC: 51

☐ All eligible securities must be held in the CSD

☐ Securities may move freely into and out of the CSD

☐ Once entered into the CSD, eligible securities must remain in the CSD

☐ Certain designated securities may be held outside the CSD

☒ Not applicable

G11Q052

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

PFMI: Q.11.3.2AGC: 51a

G11Q053

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

PFMI: Q.11.3.2AGC: 51b

G11Q054

Are these certificates:

PFMI: Q.11.3.2 AGC: 51c

☐ Bearer

☐ Registered

☐ OTHER:

G11Q055

If registered, how are the CSD eligible securities registered?

PFMI: Q.11.3.2AGC: 51d

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

G11Q056

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

PFMI: Q.11.3.2AGC: 51f

G11Q057

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

PFMI: Q.11.3.2AGC: 51h

- ☐ Bearer
- ☐ Registered

G11Q058

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

PFMI: Q.11.3.2AGC: 51i

G11Q059

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

PFMI: Q.11.3.2AGC: 52

- ☒ Yes
- ☐ No
- ☐ Not applicable

G11Q060

Are the securities held:

PFMI: Q.11.3.2 AGC: 52a, 52k

- ☒ Through book-entry at the CSD
- ☐ Through book-entry at a registrar or issuer
- ☒ OTHER: Only dematerialized securities are held in book-entry form at the depository. If depository eligible securities are to be re-certificated, they are considered materialized (in certificated form). Therefore issuer maintains relevant Register of shareholders and records of the transfers of the securities.

G11Q061

Please identify which types of entities may act as registrars:

PFMI: Q.11.3.2AGC: 52b

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

G11Q062

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

PFMI: Q.11.3.2AGC: 52d

☒ Yes

☐ No

G11Q063

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

PFMI: Q.11.3.2AGC: 52e

☐ In the name of the CSD

☐ In the name of a separate nominee of the CSD

☒ Other: CD AD does not maintain its own portfolio of Financial Instruments (FIs). The only situation in which CD AD would hold Financial Instruments is when it is a member of other depositories, and in such cases, CD AD operates with an omnibus account. The FIs in this account are allocated to the accounts of the beneficial owners in the CDAD registry.

G11Q064

Please describe:

PFMI: Q.11.3.2AGC: 52f

G11Q065

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

PFMI: Q.11.3.2AGC: 52g

☐ The beneficial owner

☐ A nominee

G11Q066

Please describe:

PFMI: Q.11.3.2AGC: 52h

G11Q067

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

PFMI: Q.11.3.3AGC: n/a

The maintenance of dematerialized securities has a lower price, their trading is easier, and transactions are more secure.

G11Q068

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

PFMI: Q.11.4.1AGC: n/a

The functioning of the CD AD as a depository and as a register of securities is ensured by a database management system, which is constantly monitored and audited. The database is stored on three mirrored media (servers) located at three different geographical points in the country. The strictest security rules and requirements are met. The legal and technical rules for minimizing such risks are set as algorithms in the software of the settlement system and the registers maintained by the CD AD.

G11Q069

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

PFMI: Q.11.4.1 AGC: 66, 66a, 66d

- ☐ No
- ☐ Not applicable
- ☐ Yes
- ☒ Other: CD AD maintains a special fund designated to compensate damages occurred by illegal acts and detriments by CD AD officials.

G11Q070

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

PFMI: Q.11.4.1 AGC: 66b 66c

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

G11Q071

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

PFMI: Q.11.4.1 AGC: 66e, 66g, 66h

- ☐ No
- ☐ Yes
- ☐ Not applicable
- ☒ Other: The depository is deemed liable only in the cases of proved delinquency. A Guarantee Fund is established (Art. 224 of the CD AD Rules) whereas fund assets shall be used for compensation of damages which arose from the activity of CDAD as a result of its unlawful acts or omissions caused to issuers, CDAD members and participants in the CDAD Settlement System.

G11Q072

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

PFMI: Q.11.4.1 AGC: 66f

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

G11Q073

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

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

- ☐ No
- ☒ Yes
- ☐ Not applicable

G11Q074

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

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

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

G11Q075

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

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

- ☒ Yes
- ☐ No
- ☐ Not applicable
- ☐ OTHER:

G11Q076

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

PFMI: Q.11.4.1AGC: 66n.

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

G11Q077

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

PFMI: Q.11.4.2AGC: n/a

The Rules of procedure of CDAD are approved by FSC incl. their consistency with the legal framework.

G11Q078

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

PFMI: Q.11.4.2AGC: 68

- ☐ Yes
- ☒ No

G11Q079

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

PFMI: Q.11.4.3AGC: n/a

The depository is deemed liable only in the cases of proved delinquency. A Guarantee Fund is established (Art. 224 of the CD AD Rules of procedure) whereas fund assets shall be used for compensation of damages which arose from the activity of CD AD as a result of its unlawful acts or omissions caused to issuers, CD AD members and participants in the CD AD Settlement System.

G11Q080

For Insurance for Operational Errors and Error & Omissions, what is the amount of the coverage and the amount of deductible? Please also indicate the currency.

PFMI: Q.11.4.3 AGC: 91c

A02

G11Q089

For Insurance for the Premises, what is the amount of the coverage and the amount of deductible? Please also indicate the currency.

PFMI: Q.11.4.3 AGC: 91d

A01

G11Q096

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

PFMI: Q.11.4.3 AGC: 97

ARMEEC INSURANCE JSC

G11Q097

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

PFMI: Q.11.4.3AGC: 97a.

N/A

G11Q098

What is the term of the policy?

PFMI: Q.11.4.3AGC: 97b.

G11Q099

Who does the insurance cover?

PFMI: Q.11.4.3 AGC: 97c, 97d

☒ CSD☐ Direct CSD participants☐ Final investors☐ Not applicable☐ OTHER:

G11Q100

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

PFMI: Q.11.4.3AGC: 98

G11Q101

filecount - Upload document here:

PFMI: Q.11.4.3AGC: 98a.

G11Q102

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

PFMI: Q.11.4.3 AGC: 67a, 67b.

☒ Yes☐ No☐ Not applicable☐ OTHER:

G11Q103

Please explain (then please answer 67c):

PFMI: Q.11.4.3AGC: 67b.

CD AD maintains a Guarantee fund which covers the liabilities of CD AD from its activities. Fund assets shall be used for compensation of damages occurred in the course of the activity of the institution.

G11Q104

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

PFMI: Q.11.4.3AGC: 67c.

Art. 132 (1) of the Law on public offering of securities

Art 44 - 45b of Ordinance N 8 of the Financial Supervision Commission on the Central Depository for Securities

Art. 224 - 228 of CD AD Rules of Procedure, Part 8 "Guarantee Fund"

Art. 21 of the General Conditions applicable to CD AD-members relations

Art. 19 of the General Conditions applicable to CD AD-issuers relations

G11Q105

Insurance

PFMI: Q.11.4.3 AGC: 67d.

☐ Yes☒ No☐ Not applicable☐ OTHER:

G11Q106

Please explain (then please answer 67f):

PFMI: Q.11.4.3AGC: 67e.

G11Q107

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

PFMI: Q.11.4.3AGC: 67f.

G11Q108

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

PFMI: Q.11.4.3AGC: 67g.

☒ Yes☐ No☐ Not applicable

G11Q109

Please explain (then please answer 67i):

PFMI: Q.11.4.3AGC: 67h.

The depository is deemed liable only in the cases of proved delinquency. A Guarantee Fund is established (Art. 224 of the CDAD Rules) whereas fund assets shall be used for compensation of damages which arose from the activity of CDAD as a result of its unlawful acts or omissions caused to issuers, CDAD members and participants in the CDAD Settlement System.

G11Q110

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

PFMI: Q.11.4.3AGC: 67i.

G11Q111
Other

PFMI: Q.11.4.3AGC: 67j.

- ☐ Yes
- ☐ No

G11Q112
Please explain (then please answer 67l):

PFMI: Q.11.4.3AGC: 67k.

G11Q113
Please provide details of the relevant sections of the contracts, rules or practices where this information is found.

PFMI: Q.11.4.3AGC: 67l.

G11Q114
What segregation arrangements are in place at the CSD? How does the CSD ensure segregation between its own assets and the securities of its participants? How does the CSD ensure segregation among the securities of participants?

PFMI: Q.11.5.1AGC: n/a

CD AD cannot perform deals with financial instruments. In addition, as per the national legislation, CD AD maintains a register of all of the end-investors and every owner has a separate account for every financial issue that he/she/legal entity possesses with respective member. This guarantees a complete separation and easy identification of what each owner possesses, irrespective of whether he/she is a natural person, a legal entity, investment intermediary, bank, etc. Lastly, members' assets are recorded on separate accounts than the ones of their clients'.

G11Q115
Are participants permitted to maintain more than one account at the CSD?

PFMI: Q.11.5.1AGC: 41

- ☒ Yes
- ☐ No
- ☐ Not applicable

G11Q116
If yes, please indicate number:

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

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

G11Q117
If more than one account what is the maximum?

PFMI: Q.11.5.1AGC: 41b

99 different accounts from one issue

G11Q118
Where supported by the legal framework, how does the CSD support the operational segregation of securities belonging to participants' customers from the participants' book? How does the CSD facilitate the transfer from these customers' accounts to another participant?

PFMI: Q.11.5.2AGC: n/a

As per Articles 112-115 in Rules of procedure of CD AD (attached file).

The securities are kept only in own accounts. Omnibus accounts are used only for trading purposes, but there is reconciliation between omnibus accounts and own accounts.

G11Q119

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

PFMI: Q.11.5.2 AGC: 42

- ☒ Yes
- ☐ No
- ☐ Not applicable
- ☒ OTHER: As per Articles 112-115 in Rules of procedure of CD AD (attached file)

G11Q120

If yes, is segregation required or simply permitted?

PFMI: Q.11.5.2AGC: 42a

- ☐ Required
- ☐ Permitted
- ☒ Other: As per Articles 112-115 in Rules of procedure of CD AD (attached file)

G11Q121

How does segregation occur?

PFMI: Q.11.5.2 AGC: 42b, 42c

- ☐ Omnibus (By separately designated participant accounts.
- ☐ Omnibus with sub account (By sub-accounts within a single participant account.)
- ☐ Segregated (By separately designated beneficial owner accounts.)
- ☐ OTHER:

G11Q122

Is the nominee account concept being recognised in your market?

PFMI: Q.11.5.2 AGC: 43, 43b

- ☐ Yes
- ☐ No
- ☐ Not applicable
- ☒ Other: As per Articles 112-115 in Rules of procedure of CD AD (attached file)

G11Q123

If yes, does the depository permit its participants to open accounts in the participant's own nominee name(s)?

PFMI: Q.11.5.2 AGC: 43a

- ☐ Yes
- ☐ No

G11Q125

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

PFMI: Q.11.6.1AGC: n/a

CD AD offers ISIN issuance services and maintenance of a register of securities pledges.

G11Q126

Please indicate services you provide.

PFMI: Q.11.6.1AGC: 35

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

G11Q127

Automatic securities lending facility is provided for:

PFMI: Q.11.6.1AGC: 35a

- ☐ Brokers
- ☐ Banks
- ☐ Other financial institutions
- ☐ OTHER:

G11Q128

If collateral handling, please provide details

PFMI: Q.11.6.1 AGC: 35c

G11Q129

Other, please explain:

PFMI: Q.11.6.1AGC: 35d

G11Q130

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

PFMI: Q.11.6.1AGC: 36

- ☒ Credited to the securities account on the day indicated below regardless of whether actually collected by the CSD on the scheduled date.
- ☒ Credited to the securities account upon actual receipt by the CSD.
- ☐ Corporate action entitlements are handled by an entity separate from the CSD.
- ☐ Not applicable
- ☒ OTHER: As per Article 46 in Rules of procedure of CD AD (attached file)

G11Q131

Credited to the securities account:

PFMI: Q.11.6.1AGC: 36a

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

G11Q132

Name of entity:

PFMI: Q.11.6.1AGC: 36c

G11Q133

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

PFMI: Q.11.6.1 AGC: 37, 37d.

- ☐ Credited to the cash account on the day indicated below regardless of whether actually collected by the CSD on the scheduled date.
- ☐ Credited to the cash account upon actual receipt by the CSD.
- ☐ Income and dividend collection is handled by an entity separate from the CSD.
- ☐ Not applicable
- ☒ OTHER: As per Articles 88-103 in Rules of procedure of CD AD (attached file)

G11Q134

Credited to the cash account:

PFMI: Q.11.6.1AGC: 37a

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

G11Q135

Name of entity:

PFMI: Q.11.6.1AGC: 37c

G11Q136

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

PFMI: Q.11.6.2AGC: n/a

As per Articles 229-249 in Rules of procedure of CD AD (attached file).

G11Q137

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules of Procedure

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

G12Q001

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

PFMI: Annex A - CSD disclosure template - IV.P12AGC: n/a

All related deals and transactions are processed sequentially and in the presumed order.

G12Q002

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

PFMI: Q.12.1.1AGC: n/a

As per Articles 229-235 of Rules of procedure of CDAD (attached file)

G12Q003

Does the CSD guaranty settlement?

PFMI: Q.12.1.1AGC: 66u.

- ☐ No
- ☒ Yes
- ☐ Not applicable

G12Q004

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

PFMI: Q.12.1.1AGC: 66v.

As per Articles 26-30, 105-108, 117-131, 139-163 and 229-235 of Rules of procedure of CDAD (attached file)

G12Q005

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

PFMI: Q.12.1.2AGC: n/a

For cash leg on a net basis, and for financial instruments on a gross basis.

G12Q006

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

PFMI: Q.12.1.2 AGC: 48

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

G12Q007

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

PFMI: Q.12.1.3AGC: 48a

As per Articles 117-131 of Rules of procedure of CDAD (attached file).

G12Q008

Is the finality of settlement of linked obligations simultaneous?

PFMI: Q.12.1.3AGC: n/a

- ☐ Yes
- ☒ No

G12Q009

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

PFMI: Q.12.1.3AGC: n/a

The timing of finality for both obligations is less than a second.

G12Q010

Are the cash and security movements simultaneous (i.e. immediately with no time gap)?

PFMI: Q.12.1.3 AGC: 49

- ☐ Yes
- ☒ No
- ☐ Not applicable

G12Q011

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

PFMI: Q.12.1.3AGC: 49a

- ☐ 1 hour
- ☐ 2 hours
- ☐ 3 hours
- ☐ 4 hours
- ☐ 5 hours
- ☐ Overnight
- ☐ 2 days
- ☒ Other: 15 minutes

G12Q012

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules of Procedure

1

Participant default rules and procedures (PFMI Principle 13)

G13Q001

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

PFMI: Annex A - CSD disclosure template - IV.P13AGC: n/a

CD AD has established rules and procedures in case of participant's bankruptcy. The rules and procedures are based on the Law on Payment Services and Payment Systems (LPSPS) and have been approved by both FSC and BNB. Annually, CD AD conducts tests for simulated bankruptcy with key participants.

G13Q002

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

PFMI: Q.13.1.1AGC: n/a

pls. see the attached file

G13Q003

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

PFMI: Q.13.1.2AGC: n/a

pls. see the attached file

G13Q004

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

PFMI: Q.13.1.2AGC: 77

- ☐ Yes
- ☒ No
- ☐ Not applicable

G13Q005

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

PFMI: Q.13.1.2AGC: 77a

G13Q006

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

PFMI: Q.13.1.2AGC: 80

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

G13Q007

Please explain:

PFMI: Q.13.1.2AGC: 80a

Settlement guarantee fund guarantees trades on a regulated market

G13Q008

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

PFMI: Q.13.1.3AGC: n/a

CDAD' Rules and procedures art. 159

G13Q009

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

PFMI: Q.13.1.4AGC: n/a

CDAD' Rules and procedures art. 159

G13Q010

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

PFMI: Q.13.1.4 AGC: 76, 76d

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

G13Q011

Please explain the process:

PFMI: Q.13.1.4AGC: 76a

G13Q012

Please explain the process of how the loss is shared:

PFMI: Q.13.1.4AGC: 76b

- ☐ Equally, among participants
- ☐ Pro-rata based on participant's volume
- ☐ Limited to participants with transactions with failing counterparty

G13Q013

Please explain:

PFMI: Q.13.1.4AGC: 76d

CDAD' Rules and procedures art. 159

G13Q014

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

PFMI: Q.13.1.5AGC: n/a

CDAD' Rules and procedures art. 159

G13Q015

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

PFMI: Q.13.2.1AGC: n/a

pls. see the attached file

G13Q016

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

PFMI: Q.13.2.2AGC: n/a

pls. see the attached file

G13Q017

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

PFMI: Q.13.2.3AGC: n/a

G13Q018

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

PFMI: Q.13.3.1AGC: n/a

They are published on CDAD website and there are publicly available.

G13Q019

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

PFMI: Q.13.4.1AGC: n/a

There are approved procedures for conducting tests in case of participant's default. According to it, statistics are developed and key participants are appointed. Once a year tests are conducted with these participants according to previously created scenarios. The test results are presented to the FSC, the BSE and the participants and are reviewed by the BoD of the CDAD.

G13Q020

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

PFMI: Q.13.4.2AGC: n/a

The aim for this scenarios is to cover as much of the potential risks as possible. These scenarios are approved by the FSC on the basis of Regulation 909 and the acts delegated to it.

G13Q021

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Default procedure by a participant in the Clearing and settlement system.docx (16KB)

Default procedure by a participant in CSS

1

General business risk (PFMI Principle 15)

G14Q001

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

PFMI: Annex A - CSD disclosure template - IV.P15AGC: n/a

CD AD has a built-in mechanism for monitoring and assessment the general business risk, through current analyzes of the company's condition, with the aim to guarantee the performance of operational activities and to meet current obligations.

G14Q002

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

PFMI: Q.17.2.3AGC: 15

☒ Yes

☐ No

G14Q003

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

PFMI: n/aAGC: 15a.

AFA OOD; <https://www.afa.bg/en>

G14Q004

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

PFMI: n/aAGC: 15b.

31/03/2025

G14Q005

Please list the period that the audit covered:

PFMI: n/a AGC: 15c.

Start date: 01/01/2024

End date: 31/12/2024

G14Q006

How frequently does the financial audit occur?

PFMI: n/aAGC: 15d.

- ☐ Two or more times a year
- ☒ Annually
- ☐ Less than annually

G14Q007

If less than annually, please explain:

PFMI: n/aAGC: 15e.

G14Q008

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

PFMI: n/aAGC: 15g.

- ☒ No material exceptions found.
- ☐ Minor exceptions found.
- ☐ Material exceptions found.

G14Q009

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

PFMI: n/aAGC: 15h.

G14Q010

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

PFMI: n/aAGC: 86

- ☐ Yes
- ☒ No
- ☐ Not applicable

G14Q011

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

PFMI: n/aAGC: 86a.

G14Q012

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

PFMI: n/aAGC: 87

- ☐ Yes
- ☒ No
- ☐ Not applicable

G14Q013

Please explain the circumstances and resolution:

PFMI: n/aAGC: 87a.

G14Q014

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

PFMI: n/a AGC: 88, 88a

- ☒ Yes for all three years
- ☐ Yes for two of the last three years
- ☐ Yes for one of the last three years
- ☐ None of the last three years
- ☐ Not applicable

G14Q015

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

PFMI: n/a AGC: 30, 30m

- ☐ Yes
- ☒ No
- ☐ Not applicable

G14Q016

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

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

- ☐ Corporate Action
- ☐ Settlement Process - Securities
- ☐ Settlement Process - Cash
- ☐ System Outage
- ☐ OTHER:

G14Q017

Corporate Action. Please specify number of instances:

PFMI: n/a AGC: 30b.

G14Q018

Corporate Action. Please specify total loss in USD:

PFMI: n/a AGC: 30c.

No losses

G14Q019

Settlement Process - Securities. Please specify number of instances:

PFMI: n/a AGC: 30d.

G14Q020

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

PFMI: n/a AGC: 30e.

No losses

G14Q021

Settlement Process - Cash. Please specify number of instances:

PFMI: n/aAGC: 30f.

G14Q022

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

PFMI: n/aAGC: 30g.

No losses

G14Q023

System Outage. Please specify number of instances:

PFMI: n/aAGC: 30h.

G14Q024

System Outage. Please specify total loss in USD:

PFMI: n/aAGC: 30i.

No losses

G14Q025

For Other, please specify number of instances:

PFMI: n/aAGC: 30k.

G14Q026

For Other, please specify total loss in USD:

PFMI: n/aAGC: 30l.

No losses

G14Q027

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

PFMI: Q.15.1.1AGC: n/a

CD AD has identified operational risks related to its core business.

G14Q028

How does the CSD monitor and manage its general business risks on an ongoing basis? Does the CSD's business risk assessment consider the potential effects on its cash flow and (in the case of a privately operated CSD? capital?

PFMI: Q.15.1.2AGC: n/a

Operational risks are reviewed on an annual basis and as necessary. For some control is permanent.

G14Q029

Does the CSD hold liquid net assets funded by equity so that it can continue operations and services as a going concern if it incurs general business losses?

PFMI: Q.15.2.1AGC: n/a

Yes

G14Q030

Does the CSD maintain a reserve for operating losses?

PFMI: Q.15.2.1 AGC: 89, 89b

- ☒ Yes
- ☐ No
- ☐ Not applicable

G14Q031

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

PFMI: Q.15.2.2AGC: n/a

Percentage of total revenue.

G14Q032

How does the CSD determine the length of time and associated operating costs of achieving a recovery or orderly wind-down of critical operations and services?

PFMI: Q.15.2.2AGC: n/a

According to internal rules.

G14Q033

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

PFMI: Q.15.2.2AGC: 89a.

EUR 1,33 MM

G14Q034

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

PFMI: Q.15.3.1aAGC: n/a

- ☒ Yes
- ☐ No

G14Q035

If yes, what does this plan take into consideration (for example, the operational, technological and legal requirements for participants to establish and move to an alternative arrangement)?

PFMI: Q.15.3.1bAGC: n/a

This plan takes into consideration the operational, technological requirements for participants to establish and move to an alternative arrangement.

G14Q036

What amount of liquid net assets funded by equity is the CSD holding for purposes of implementing this plan? How does the CSD determine whether this amount is sufficient for such implementation? Is this amount at a minimum equal to six months of the CSD's current operating expenses?

PFMI: Q.15.3.2AGC: n/a

This is the amount equal to 6 months of the CD AD's current operating expenses.

G14Q037

How are the resources designated to cover business risks and losses separated from resources designated to cover participant defaults or other risks covered under the financial resources principles?

PFMI: Q.15.3.3AGC: n/a

According to methodology

G14Q038

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

PFMI: Q.15.3.4AGC: n/a

Yes

G14Q039

What is the composition of the CSD's liquid net assets funded by equity? How will the CSD convert these assets as needed into cash at little or no loss of value in adverse market conditions?

PFMI: Q.15.4.1AGC: n/a

Cash, cash equivalents and government securities (GS).

G14Q040

How does the CSD regularly assess the quality and liquidity of its liquid net assets funded by equity to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions?

PFMI: Q.15.4.2AGC: n/a

quarterly monitoring the volatility of GS

G14Q041

Has the CSD developed a plan to raise additional equity? What are the main features of the CSD's plan to raise additional equity should its equity fall close to or fall below the amount needed?

PFMI: Q.15.5.1AGC: n/a

Yes.

G14Q042

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

PFMI: Q.15.5.2AGC: n/a

Annually

G14Q043

What is the role of the CSD's board (or equivalent) in reviewing and approving the CSD's plan to raise additional equity if needed?

PFMI: Q.15.5.3AGC: n/a

The raising of capital is approved by the general meeting.

G14Q044

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

AFS CD AD 2024.pdf (5139KB)

1

Custody risk (PFMI Principle 16)

G15Q001

Summary narrative for PFMI Principle 16. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

PFMI: Annex A - CSD disclosure template - IV.P16AGC: n/a

CD AD has established rules according to which all assets are kept separately. The assets of the participants and their clients are in separate accounts. CD AD has no FI assets in its register. In the event that such assets appear, they will be kept separate from the assets of the participants and their clients.

G15Q002

If the CSD uses custodians, how does the CSD select its custodians? What are the specific selection criteria the CSD uses, including supervision and regulation of these entities? How does the CSD monitor the custodians' adherence to these criteria?

PFMI: Q.16.1.1AGC: n/a

N/A

CD AD does not operate with custodians for FIs, that CD AD held at other depository institutions. The selection of custodians who serve CD AD members and end investors is a choice of the members themselves or end investors.

G15Q003

Are there any settlement/operational activities performed by a third party on behalf of the depository for the depository participants?

PFMI: Q.16.1.1 AGC: 29, 29i

☐ Yes (please answer 29a)

☐ No

G15Q003A

Select all applicable

PFMI: Q.16.1.1 AGC: 29, 29i

☐ Vaulting of physical securities

☐ Registration

☐ Entitlement processing

☐ OTHER:

G15Q004

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

PFMI: Q.16.1.1AGC: 29a.

G15Q005

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

PFMI: Q.16.1.1AGC: 29b.

☐ Yes

☒ No

G15Q006

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

PFMI: Q.16.1.1 AGC: 29c, 29e.

☐ regardless of whether such loss was caused by any action or inaction of the agent

☐ if such loss was caused by the agent's action or inaction and such action or inaction was deemed to be negligence on the part of the agent

☐ if such loss was caused by the agent's action or inaction and such action or inaction was deemed to be gross negligence on the part of the agent

☐ if the loss was caused by the willful default or other willful conduct on the part of the agent

☐ OTHER:

G15Q007

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

PFMI: Q.16.1.1 AGC: 29d, 29h.

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

G15Q008

Please specify limit:

PFMI: Q.16.1.1AGC: 29f.

G15Q009

Please specify limit:

PFMI: Q.16.1.1AGC: 29g.

G15Q010

How does the CSD verify that these entities have robust accounting practices, safekeeping procedures, and internal controls that fully protect its and its participants' assets?

PFMI: Q.16.1.2AGC: n/a

N/A

G15Q011

How has the CSD established that it has a sound legal basis to support enforcement of its interest or ownership rights in assets held in custody?

PFMI: Q.16.2.1AGC: n/a

N/A

G15Q012

How does the CSD ensure that it has prompt access to its assets, including securities that are held with a custodian in another time zone or legal jurisdiction, in the event of participant default?

PFMI: Q.16.2.2AGC: n/a

N/A

G15Q013

How does the CSD evaluate and understand its exposures to its custodian banks? In managing those exposures, how does it take into account the full scope of its relationship with each custodian bank? For instance, does the CSD use multiple custodians for the safekeeping of its assets to diversify exposure to any single custodian? How does the CSD monitor concentration of risk exposures to its custodian banks?

PFMI: Q.16.3.1AGC: n/a

N/A

G15Q014

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

PFMI: Q.16.3.1AGC: 62

N/A

G15Q015

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

PFMI: Q.16.4.1aAGC: n/a

N/A

G15Q016

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

PFMI: Q.16.4.1bAGC: n/a

CD AD discloses its investment strategy to the shareholders.

G15Q017

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

PFMI: Q.16.4.2AGC: n/a

N/A

G15Q018

How does the CSD consider its overall exposure to an obligor in choosing investments? What investments are subject to limits to avoid concentration of credit risk exposures?

PFMI: Q.16.4.3AGC: n/a

N/A

G15Q019

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

PFMI: Q.16.4.4AGC: n/a

No

G15Q020

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

PFMI: Q.16.4.5AGC: n/a

N/A

G15Q021

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Operational risk (PFMI Principle 17)

G16Q001

Summary narrative for PFMI Principle 17. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

PFMI: Annex A - CSD disclosure template - IV.P17AGC: n/a

CD AD has a mechanism for determining, monitoring and assessing risk. This mechanism is part of the license documents and is approved by the FSC. It includes the identification of potential sources of operational risk, their assessment and the usage of reliable mechanisms for overcoming critical situations, in order to ensure continuity of activity.

G16Q002

What are the CSD's policies and processes for identifying the plausible sources of operational risks? How do the CSD's processes identify plausible sources of operational risks, whether these risks arise from internal sources (for example, the arrangements of the system itself, including human resources), from the CSD's participants or from external sources?

PFMI: Q.17.1.1AGC: n/a

Risk identification should follow the following approaches:

- Top-down - senior executives identify risks throughout the company;
- Bottom-up - each manager identifies the risks facing his / her department and the activities in which he / she participates.

G16Q003

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

PFMI: Q.17.1.2AGC: n/a

Operational risks for the CD AD can arise from various sources.

The sources of operational risks are participants, providers of critical services, human risks, external connections with other institutions, Bulgarian National Bank.

By identifying the sources of operational risks and single points of failure, the CD AD can develop and implement effective mitigation strategies to enhance operational resilience. Regular assessments, continuous monitoring, and a proactive approach to risk management are essential to ensure that the CD AD can handle potential disruptions and maintain seamless operations.

Here are some potential SPOFs that the CD AD identifies:

1. Core Systems
2. Critical Infrastructure
3. Key Personnel
4. Third-Party Services
5. Processes and Procedures
6. Regulatory and Compliance

G16Q004

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

PFMI: Q.17.1.3AGC: n/a

The rules for monitoring and managing the identified operational risks are incorporated into CD AD's internal policies.

G16Q005

What policies, processes and controls does the CSD employ that are designed to ensure that operational procedures are implemented appropriately? To what extent do the CSD's systems, policies, processes and controls take into consideration relevant international, national and industry-level operational risk management standards?

PFMI: Q.17.1.4AGC: n/a

The procedures are approved by the BoD and the Financial Supervision Commission.

G16Q006

What are the CSD's human resources policies to hire, train and retain qualified personnel, and how do such policies mitigate the effects of high rates of personnel turnover or key-person risk? How do the CSD's human resources and risk management policies address fraud prevention?

PFMI: Q.17.1.5AGC: n/a

The internal rules contains the above information.

G16Q007

How do the CSD's change management and project management policies and processes mitigate the risks that changes and major projects inadvertently affect the smooth functioning of the system?

PFMI: Q.17.1.6AGC: n/a

Tests and controls are carried out.

G16Q008

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

PFMI: Q.17.2.1AGC: n/a

The functions are defined in the internal rules.

G16Q009

Does the CSD's board explicitly review and endorse the CSD's operational risk management framework? How frequently does the board review and endorse the CSD's operational risk management framework?

PFMI: Q.17.2.2AGC: n/a

Updating, monitoring and reporting risks at the operational level is an ongoing process, including:

- Review whether the risk has changed;
- Verification that the risk assessment is still adequate;
- Ensuring that existing controls remain effective; and
- Monitoring the progress of the actions taken by the governing bodies against the risk.

G16Q010

How does the CSD review, audit and test its systems, policies, procedures and controls, including its operational risk management arrangements with participants? How frequently does the CSD conduct these reviews, audits and tests with participants?

PFMI: Q.17.2.3AGC: n/a

Updating, monitoring and reporting risks at the operational level is an ongoing process, including:

- Review whether the risk has changed;
- Verification that the risk assessment is still adequate;
- Ensuring that existing controls remain effective; and
- Monitoring the progress of the actions taken by the governing bodies against the risk.

G16Q011

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

PFMI: Q.17.2.3AGC: 14

☒ Yes☐ No

G16Q012

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

PFMI: Q.17.2.3AGC: 14a.

An internal audit department has been set up under the direct supervision of the Executive Director. The department audits the processes according to an annual plan approved by the BoD.

G16Q013

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

PFMI: Q.17.2.3 AGC: 14b.

Start date: 01/09/2024

End date: 31/12/2024

Audit date: 31/12/2024

G16Q014

How frequently does the internal audit occur?

PFMI: Q.17.2.3AGC: 14c.

☐ Two or more times a year☒ Annually☐ Less than annually

G16Q015

If less than annually, please explain:

PFMI: Q.17.2.3AGC: 14d.

G16Q016

Are the results of the internal audit publicly available?

PFMI: Q.17.2.3AGC: 14e.

☐ Yes☒ No

G16Q017

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

PFMI: Q.17.2.3AGC: 14f.

☒ No material exceptions found.☐ Minor exceptions found.☐ Material exceptions found.

G16Q018

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

PFMI: Q.17.2.3AGC: 14g.

G16Q019

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

PFMI: Q.17.2.4AGC: n/a

An external ISO audit is performed once per year.

G16Q020

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

PFMI: Q.17.2.4AGC: 16

☒ Yes☐ No

G16Q021

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

PFMI: Q.17.2.4AGC: 16a.

SGS Bulgaria

G16Q022

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

PFMI: Q.17.2.4AGC: 16b.

16/04/2025

G16Q023

Please list the period that the audit covered:

PFMI: Q.17.2.4 AGC: 16c.

Start date: 30/04/2024

End date: 16/04/2025

G16Q024

How frequently does the operational audit occur?

PFMI: Q.17.2.4AGC: 16d.

- ☐ Two or more times a year
- ☒ Annually
- ☐ Less than annually

G16Q025

If less than annually, please explain:

PFMI: Q.17.2.4AGC: 16e.

G16Q026

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

PFMI: Q.17.2.4AGC: 16g.

- ☒ No material exceptions found.
- ☐ Minor exceptions found.
- ☐ Material exceptions found.

G16Q027

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

PFMI: Q.17.2.4AGC: 16h.

G16Q028

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

PFMI: Q.17.3.1AGC: n/a

The operational reliability objectives are outlined in the CD AD's Strategy.

GOAL 1: Maintain the position of the CD AD as the main provider of registration services, central maintenance services, settlement services, and auxiliary non-banking services in the Bulgarian securities market in the context of market challenges arising from the implementation of European legislation to improve securities settlement in the EU.

GOAL 2: Maintain proper and secure storage of data in the registers and ensure the accessibility and security of provided services.

GOAL 3: Increase revenues by offering value-added services arising from business and regulatory opportunities and the needs of participants in the Bulgarian capital market and trade organizers.

GOAL 4: Integrate into European markets and establish connections with other institutions.

GOAL 5: Improve the efficiency of the CD AD in view of market and technological challenges by maintaining and continuously updating the institution's infrastructure profile.

GOAL 6: Develop an extension of the current system of the CD AD to include the capabilities for performing clearing services.

G16Q029

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

PFMI: Q.17.3.2AGC: n/a

Operational risks include risks due to information system malfunctions, internal processes and staff performance, or disruptions caused by external events that result in the reduction, impairment or termination of the services provided by the CSD. The CD AD identifies, monitors and manages the operational risks with relation to key actors, critical services and critical service providers, other CSDs or market infrastructures.

Operational risks are included in the General Risk Register. All identified operational risks with a rating above the appetite level of the CD AD should be addressed. The responsibilities and activities for managing certain operational risks are as follows:

- Operational risks that may arise from key actors

The Settlement Division identifies, reviews and updates on an ongoing basis the key players in the securities settlement system. The Settlement Manager is responsible for identifying, assessing, monitoring, reporting and addressing operational risks that may arise from key stakeholders.

- Operational risks that may arise from critical services and critical service providers

The IT and the Financial Departments identify critical services and critical service providers. The heads of the IT Department and the Financial Department are responsible for identifying, assessing, monitoring, reporting and addressing operational risks that may arise from critical services and critical service providers.

- Operational risks that may arise when applying for the registration of dematerialised financial instruments

When applying for the registration of dematerialised financial instruments, a risk assessment is performed on the basis of developed questionnaires. The issuer has to fulfill its payment obligation to the CD AD and has to be capable to make payments related to corporate actions. The issuer is also required to declare the origin of funds.

- Operational risks that may be generated by other CSDs or market infrastructures

The Settlement Department identifies other CSDs or market infrastructures that may pose operational risks. The Settlement Director is responsible for identifying, assessing, monitoring, reporting and addressing operational risks that may arise from key stakeholders.

G16Q030

What are the policies in place that are designed to achieve the CSD's operational reliability objectives to ensure that the CSD takes appropriate action as needed?

PFMI: Q.17.3.3AGC: n/a

The respective policies in place are outlined in the internal rules.

1. Business Continuity and Disaster Recovery Policy

2. Information Security Policy

3. Risk Management Policy – part of the policy are the following procedures:

Compliance

Technology

Third-Party Management

Human Resources

Incident Management

Quality Assurance

G16Q031

How does the CSD review, audit and test the scalability and adequacy of its capacity to handle, at a minimum, projected stress volumes? How frequently does the CSD conduct these reviews, audits and tests?

PFMI: Q.17.4.1AGC: n/a

CD AD reviews, audits, and tests the scalability and adequacy of their capacity to handle projected stress volumes as part of their risk management and business continuity planning processes.

G16Q032

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

PFMI: Q.17.4.2AGC: n/a

No such situation.

G16Q033

What are the CSD's policies and processes, including change management and project management policies and processes, for addressing the plausible sources of physical vulnerabilities and threats on an ongoing basis?

PFMI: Q.17.5.1AGC: n/a

By implementing comprehensive policies and processes, CD AD can effectively address physical vulnerabilities and threats on an ongoing basis.

To effectively address plausible sources of physical vulnerabilities and threats, CD AD establishes comprehensive procedures and processes that encompass physical security, change management, and project management.

Access Control

Surveillance

Regular Assessments

Threat Analysis

Project Planning

Risk Management

Monitoring and Reporting

Incident Reporting

Emergency Procedures

Continuous Improvement Process

Change management and project management policies are crucial for ensuring that physical security measures are continually assessed, updated, and improved, thereby enhancing the overall resilience and security of the institution. Regular training, risk assessments, and incident response procedures will further support the CD AD in maintaining a secure operational environment.

G16Q034

How is access to the physical building controlled?

PFMI: Q.17.5.1AGC: 74

☐ By guards☒ By electronic keys☐ personal ID card☒ By alarm system☐ OTHER:

G16Q035

Please explain:

PFMI: Q.17.5.1AGC: 74a.

Internal information is not disclosed.

G16Q036

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

PFMI: Q.17.5.2AGC: n/a

Yes

G16Q037

What are the CSD's policies and processes, including change management and project management policies and processes, for addressing the plausible sources of information security vulnerabilities and threats on an ongoing basis?

PFMI: Q.17.5.3AGC: n/a

The relevant CD AD's policies and processes, including change management and project management policies and processes, for addressing the plausible sources of information security vulnerabilities and threats on an ongoing basis are outlined in the internal rules.

G16Q038

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

PFMI: Q.17.5.3AGC: 71 71a.

- ☒ Yes
- ☐ No
- ☐ Not applicable

G16Q039

Does each user have a unique user ID?

PFMI: Q.17.5.3AGC: 71c.

- ☒ Yes
- ☐ No
- ☐ Not applicable

G16Q040

Are passwords regularly changed?

PFMI: Q.17.5.3AGC: 71e.

- ☒ Yes
- ☐ No
- ☐ Not applicable

G16Q041

How often?

PFMI: Q.17.5.3AGC: 71f.

30 days

G16Q042

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

PFMI: Q.17.5.3AGC: 71h.

- ☒ Yes
- ☐ No
- ☐ Not applicable

G16Q043

How many?

PFMI: Q.17.5.3AGC: 71i.

3

G16Q044

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

PFMI: Q.17.5.4AGC: n/a

Yes

G16Q045

How and to what extent does the CSD's business continuity plan reflect objectives, policies and procedures that allow for the rapid recovery and timely resumption of critical operations following a wide-scale or major disruption?

PFMI: Q.17.6.1AGC: n/a

CD AD designs the business continuity plan (BCP) to reflect objectives, policies, and procedures that enable the rapid recovery and timely resumption of critical operations following a wide-scale or major disruption. Here's how the CD AD's BCP can address these objectives:

Clearly Defined Objectives:

The BCP has well-defined objectives that prioritize the rapid recovery and resumption of critical operations. These objectives serve as a guiding framework for the entire plan.

Risk Assessment:

Risk assessment, which identifies potential threats and disruptions. This assessment helps the CD AD understand the types of events it needs to prepare for.

Critical Operation Identification:

The BCP identifies and prioritizes critical operations that must be resumed swiftly. These typically include core settlement and clearing functions, trade matching, and record-keeping.

Redundancy and Failover Systems:

The plan outlines the use of redundancy and fail-over systems to ensure that critical functions can continue operating even in the event of system failures or disruptions.

Alternative Locations and Infrastructure:

BCP policies includes provisions for relocating operations to alternative sites if the primary location is incapacitated. This may involve the use of geographically dispersed data centers – city of Kaspichan.

Communication Plans:

Communication procedures and plans ensure that CD AD staff, participants, regulatory authorities, and other stakeholders can be informed and updated during and after a disruption.

Staff Training and Awareness:

BCP policies incorporates training and awareness programs for staff to ensure that they know their roles and responsibilities in a crisis and can effectively execute recovery plans.

Resource Allocation:

The BCP outlines how resources, such as personnel, equipment, and funding, will be allocated to support the recovery of critical operations.

Testing and Exercises:

Regular testing, simulation exercises, and drills are critical components of the BCP. These activities help validate the plan's effectiveness and the organization's readiness to respond to disruptions.

Regulatory Compliance:

The BCP is aligned with regulatory requirements. Compliance ensures that the CD AD meets regulatory expectations for rapid recovery.

Scenario-Based Planning:

The BCP considers a range of scenarios, including natural disasters, cyberattacks, system failures, and market volatility, and outlines specific response procedures for each.

Cross-Functional Collaboration:

Collaboration with key stakeholders, such as market participants, other financial infrastructures, and regulatory authorities, is embedded in the BCP to facilitate a coordinated response to disruptions.

Documentation and Reporting:

The BCP includes documentation standards for incident reporting, damage assessment, and post-incident reviews. This ensures that lessons learned are incorporated into future planning.

Continuous Improvement:

The BCP is a living document that evolves with changes in the business environment, technology, and risk landscape. Continuous improvement mechanisms are built in to refine the plan over time.

G16Q046

How and to what extent is the CSD's business continuity plan designed to enable critical IT systems to resume operations within two hours following disruptive events, and to enable the CSD to facilitate or complete settlement by the end of the day even in extreme circumstances?

PFMI: Q.17.6.2AGC: n/a

In the CD AD a detailed business continuity plan has been developed.

G16Q047

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

PFMI: Q.17.6.2AGC: 82

- ☒ 1 - 4 hours
- ☐ 4 - 8 hours
- ☐ 8 - 24 hours
- ☐ Longer than 24 hours
- ☐ Not applicable

G16Q048

How is the contingency plan designed to ensure that the status of all transactions can be identified in a timely manner, at the time of the disruption, and if there is a possibility of data loss, what are the procedures to deal with such loss (for example, reconciliation with participants or third parties)?

PFMI: Q.17.6.3AGC: n/a

The clearing and settlement system is designed so as not to allow loss of data and transactions in case of disruption. However, there are software solutions by which a consistent state of data prior to the disruption can be restored.

G16Q049

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

PFMI: Q.17.6.4AGC: n/a

All interactions with external structures and relevant organizations are described in the continuity plan.

G16Q050

Will the CSD publicly announce any system interruption?

PFMI: Q.17.6.4AGC: 84

- ☒ Yes
- ☐ No
- ☐ Not applicable

G16Q051

To whom will the CSD disclose any system interruptions?

PFMI: Q.17.6.4AGC: 84a.

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

G16Q052

If so, please list webpage address:

PFMI: Q.17.6.4AGC: 84b.

G16Q053

If so, please list all publications:

PFMI: Q.17.6.4AGC: 84c.

G16Q054

Please explain:

PFMI: Q.17.6.4AGC: 84d.

G16Q055

How will the CSD disclose any system interruptions?

PFMI: Q.17.6.4AGC: 84e.

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

G16Q056

Please explain:

PFMI: Q.17.6.4AGC: 84f.

G16Q057

How does the CSD's business continuity plan incorporate the use of a secondary site (including ensuring that the secondary site has sufficient resources, capabilities, functionalities and appropriate staffing arrangements)? To what extent is the secondary site located a sufficient geographic distance from the primary site such that it has a distinct risk profile?

PFMI: Q.17.6.5AGC: n/a

The disaster recovery center is located over 300 km from the main site. If the main data center cannot serve the basic activity, the information system is transferred to the secondary site.

G16Q058

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

PFMI: Q.17.6.5AGC: 83

- ☒ 1 - 4 hours
- ☐ 4 - 8 hours
- ☐ 8 - 24 hours
- ☐ Longer than 24 hours
- ☐ Not applicable

G16Q059

Has the CSD considered alternative arrangements (such as manual, paper-based procedures or other alternatives) to allow the processing of time-critical transactions in extreme circumstances?

PFMI: Q.17.6.6AGC: n/a

No such

G16Q060

How are the CSD's business continuity and contingency arrangements reviewed and tested, including with respect to scenarios related to wide-scale and major disruptions? How frequently are these arrangements reviewed and tested?

PFMI: Q.17.6.7AGC: n/a

The CD AD's business continuity plan is tested every 6 months.

G16Q061

How does the review and testing of the CSD's business continuity and contingency arrangements involve the CSD's participants, critical service providers and linked CSD? as relevant? How frequently are the CSD's participants, critical service providers and linked CSD? involved in the review and testing?

PFMI: Q.17.6.8AGC: n/a

Yearly with the key participants.

G16Q062

BUSINESS RECOVERY PLAN. This section is intended to identify key aspects of the CSD's Business Recovery Plan (BRP), including testing requirements and past results, expected recovery time periods, and the independent review and validation (if any) of the BRP. Do you have a formal business recovery plan?

PFMI: Q.17.6.8 AGC: 81

- ☒ Yes
- ☐ No

G16Q063

Does your Business Recovery Plan include:

PFMI: Q.17.6.8 AGC: 81a, 81h.

- ☒ Back-up of all computer files
- ☒ Off-site data storage
- ☐ Back-up files stored and locked
- ☐ Off-site operations facility
- ☐ Remote working ability
- ☐ Digital/electronic signing of documentation
- ☐ OTHER:

G16Q064

Please identify the frequency of testing for the following third party:

- Depository participants/members

PFMI: Q.17.6.8 AGC: 81b part 1.

Annually

G16Q064A

Please identify the last date of testing for the following third party:

- Depository participants/members

PFMI: Q.17.6.8 AGC: 81b part 2.

G16Q065

Please identify the frequency of testing for the following third party:

- Stock exchange

PFMI: Q.17.6.8 AGC: 81c part 1.

N/A

G16Q065A

Please identify the last date of testing for the following third party:

- Stock exchange

PFMI: Q.17.6.8 AGC: 81c part 2.

G16Q066

Please identify the frequency of testing for the following third party:

- Central bank

PFMI: Q.17.6.8 AGC: 81d part 1.

Testing is performed upon request of the Central Bank.

G16Q066A

Please identify the last date of testing for the following third party:

- Central bank

PFMI: Q.17.6.8 AGC: 81d part 2.

G16Q067

Please identify the frequency of testing for the following third party:

- Local brokers

PFMI: Q.17.6.8 AGC: 81e part 1.

Annually

G16Q067A

Please identify the last date of testing for the following third party:

- Local brokers

PFMI: Q.17.6.8 AGC: 81e part 2.

G16Q068

Please identify the frequency of testing for the following third party:

- Any other third party

PFMI: Q.17.6.8 AGC: 81f part 1.

G16Q068A

Please identify the last date of testing for the following third party:

- Any other third party

PFMI: Q.17.6.8 AGC: 81f part 2.

G16Q069

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

PFMI: Q.17.6.8AGC: 85

☐ Yes☒ No☐ Not applicable

G16Q070

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

PFMI: Q.17.6.8AGC: 85a.

☐ Less than 1 hour☐ 1 - 2 hours☐ 2 - 4 hours☐ Longer than 4 hours

G16Q071

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

PFMI: Q.17.6.8AGC: 85b.

☐ 1 - 4 hours☐ 4 - 8 hours☐ 8 - 24 hours☐ Longer than 24 hours

G16Q072

What was the impact to the market?

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

- ☐ All securities settlements took place as scheduled on the same day with good value
- ☐ All cash settlements took place as scheduled on the same day with good value
- ☐ All securities settlements took place one business day late with good value
- ☐ All cash settlements took place one business day late with good value
- ☐ All securities settlements took place one business day late with value one day late
- ☐ All cash settlements took place one business day late with value one day late
- ☐ All securities settlements took place more than one business day late
- ☐ All cash settlements took place more than one business day late
- ☐ As a result of the system failure, all fines and penalties for late settlements were waived
- ☐ Even though there was a system failure, all fines and penalties for late settlements were still assessed
- ☐ OTHER:

G16Q073

If no or other, please explain

PFMI: Q.17.7.4 AGC: 40a.

G16Q074

What risks has the CSD identified to its operations arising from its key participants, other CSD, and service and utility providers? How and to what extent does the CSD monitor and manage these risks?

PFMI: Q.17.7.1AGC: n/a

The main operational risk associated with the activities of the key participants in the CSS is non-payment (lack of money) or lack of financial instruments, which may affect the completion of other transactions by delaying them.

CD AD monitors the risks once a year or as needed.

G16Q075

Are procedures and controls in place to avoid systemic collapse or contamination if one of the depositories and settlement systems should experience business interruptions for whatever reason?

PFMI: Q.17.7.1 AGC: 39

- ☒ Yes
- ☐ No
- ☐ Not applicable

G16Q076

Please explain

PFMI: Q.17.7.1AGC: 39a

There are firewalls and software solutions to prevent collapses or contamination.

G16Q077

If the CSD has outsourced services critical to its operations, how and to what extent does the CSD ensure that the operations of a critical service provider meet the same reliability and contingency requirements they would need to meet if they were provided internally?

PFMI: Q.17.7.2AGC: n/a

No

G16Q078

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

PFMI: Q.17.7.3AGC: n/a

The extent to which a CD AD identifies, monitors, and mitigates the risks it may pose to other FMIs depends on its commitment to robust risk management practices, compliance with regulations, and effective collaboration with other FMIs and regulatory authorities. By actively addressing these risks, CD AD contributes to the overall stability and resilience of the financial system.

G16Q079

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

PFMI: Q.17.7.4 AGC: n/a

The extent to which a CD AD identifies, monitors, and mitigates the risks it may pose to other CSDs depends on its commitment to robust risk management practices, compliance with regulations, and effective collaboration with other CSDs and regulatory authorities. By actively addressing these risks, CD AD contributes to the overall stability and resilience of the financial system.

G16Q080

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

PFMI: Q.17.7.4 AGC: 40

- ☐ Yes
- ☐ No
- ☐ Not applicable
- ☐ Other

G16Q081

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Access and participation requirements (PFMI Principle 18)

G17Q001

Summary narrative for PFMI Principle 18. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

PFMI: Annex A - CSD disclosure template - IV.P18AGC: n/a

CD AD is legally obligated to provide objective and publicly disclosed criteria for participation. Please see the Rules of procedures of CD AD.

G17Q002

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

PFMI: Q.18.1.1AGC: n/a

As per Articles 7-14 of Rules of procedure of CD AD (attached file).

G17Q003

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

PFMI: Q.18.1.1AGC: 19

- ☐ Yes
- ☐ No
- ☐ Not applicable
- ☒ Other: As per Articles 7-31 of the Rules of procedure of CD AD (attached file)

G17Q004

How do these criteria and requirements allow for fair and open access to the CSD's services, including by direct and, where relevant, indirect participants and other CSD?, based on reasonable risk-related participation requirements?

PFMI: Q.18.1.2AGC: n/a

As per Articles 7-31 of the Rules of procedure of CD AD (attached file).

G17Q005

How are the participation requirements for the CSD justified in terms of the safety and efficiency of the CSD and its role in the markets it serves, and tailored to and commensurate with the CSD's specific risks?

PFMI: Q.18.2.1AGC: n/a

As per Articles 7-31 of the Rules of procedure of CD AD (attached file).

G17Q006

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

PFMI: Q.18.2.2AGC: n/a

As per Articles 7-31 of Rules of procedure of CD AD (attached file).

G17Q007

What governs the relationship between the CSD and the participants?

PFMI: Q.18.2.2AGC: 20

- ☒ Relevant law and regulation
- ☒ Standard participation contract
- ☒ Established terms and conditions of participation
- ☐ By-laws of the CSD
- ☒ Rules of the CSD
- ☐ Not applicable
- ☐ OTHER:

G17Q007A

Provide a link to the rulebook.

AGC: 20b

G17Q008

Please explain:

PFMI: Q.18.2.2AGC: 20a

As per Articles 7-31, Rules of procedure of CD AD (attached file).

G17Q009

Are all classes of participants subject to the same access criteria? If not, what is the rationale for the different criteria (for example, size or type of activity, additional requirements for participants that act on behalf of third parties, and additional requirements for participants that are non-regulated entities)?

PFMI: Q.18.2.3AGC: n/a

Same criteria for all participants.

G17Q010

PARTICIPANTS AND PARTICIPATION. The purpose of this section is to understand issues relating to participation in the CSD, including eligibility requirements, conditions of participation, and supervision of participants. What types of entities are eligible to become participants and how many of each type are there currently?

PFMI: Q.18.2.3 AGC: 17, 17q

- ☒ Banks
- ☒ Brokers
- ☐ Individuals
- ☒ Foreign Institutions
- ☐ Not applicable
- ☐ OTHER:

G17Q011

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

PFMI: Q.18.2.3AGC: 17a.

18

G17Q012

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

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

- ☐ Financial Thresholds
- ☒ Regulatory Oversight
- ☐ Market Experience
- ☐ OTHER:

G17Q013

Please explain:

PFMI: Q.18.2.3AGC: 17d.

The CSD's participants are authorized and supervised by national regulators.

G17Q014

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

PFMI: Q.18.2.3AGC: 17e.

80 (incl. banks Q011)

G17Q015

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

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

- ☐ Financial Thresholds
- ☒ Regulatory Oversight
- ☐ Market Experience
- ☐ OTHER:

G17Q016

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

PFMI: Q.18.2.3AGC: 17i.

G17Q017

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

PFMI: Q.18.2.3AGC: 17j.

- ☐ Financial Thresholds
- ☐ Regulatory Oversight
- ☐ Market Experience
- ☒ OTHER: No Individual participants

G17Q018

How many Foreign Institution participants are there currently?

PFMI: Q.18.2.3AGC: 17m.

2

G17Q019

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

PFMI: Q.18.2.3 AGC: 17n, 17p.

- ☐ Financial Thresholds
- ☒ Regulatory Oversight
- ☐ Market Experience
- ☐ OTHER:

G17Q020

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

PFMI: Q.18.2.3AGC: 17q.

G17Q021

Indicate how many "Other entities" are currently participants?

PFMI: Q.18.2.3AGC: 17r.

G17Q022

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

PFMI: Q.18.2.3 AGC: 17s, 17u

- ☐ Financial Thresholds
- ☐ Regulatory Oversight
- ☐ Market Experience
- ☐ OTHER:

G17Q023

How are the access restrictions and requirements reviewed to ensure that they have the least restrictive access that circumstances permit, consistent with maintaining acceptable risk controls? How frequently is this review conducted?

PFMI: Q.18.2.4AGC: n/a

As per Articles 13-14a and 229-235 of Rules of procedure of CD AD (attached file).

G17Q024

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

PFMI: Q.18.2.5AGC: n/a

Via internet site of CD AD.

G17Q025

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

PFMI: Q.18.2.5AGC: 17c.

Into the Rules of procedure of CD AD - available on the site.

G17Q026

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

PFMI: Q.18.2.5AGC: 17g.

Into the Rules of procedure of CD AD - available on the site.

G17Q027

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

PFMI: Q.18.2.5AGC: 17k.

G17Q028

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

PFMI: Q.18.2.5AGC: 17o.

Into the Rules of procedure of CD AD - available on the site.

G17Q029

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

PFMI: Q.18.2.5AGC: 17t.

G17Q030

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

PFMI: Q.18.2.5AGC: 22

- ☐ By e-mail
- ☐ By telephone
- ☒ By public announcement
- ☒ By press release
- ☐ Not applicable
- ☒ OTHER: By internet site

G17Q031

Please explain:

PFMI: Q.18.2.5AGC: 22a.

G17Q032

How does the CSD monitor its participants' ongoing compliance with the access criteria? How are the CSD's policies designed to ensure that the information it uses to monitor compliance with participation criteria is timely and accurate?

PFMI: Q.18.3.1AGC: n/a

As per Articles 13-14a and 229-235 of Rules of procedure of CD AD (attached file).

G17Q033

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

PFMI: Q.18.3.1AGC: 23

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

G17Q034

Please explain:

PFMI: Q.18.3.1AGC: 23a

G17Q035

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

PFMI: Q.18.3.1 AGC: 79

- ☒ Participant eligibility requirements
- ☐ Participant volumes
- ☐ Participant financial strength
- ☐ Other loss or default protections the CSD maintains
- ☐ Collateral requirements for participants
- ☐ Debit caps for participants
- ☒ Settlement controls that minimize or eliminate the risk of default by a participant
- ☒ Blocking of securities movement before receipt of payment
- ☒ Blocking payment until securities are moved
- ☐ Not applicable (please answer follow up question)
- ☐ OTHER:

G17Q035A

Please provide the risk management framework (it can be a link or attachment at the end of this section)

PFMI: Q.18.3.1 AGC: 79

G17Q036

Please explain other loss or default protections:

PFMI: Q.18.3.1AGC: 79a

G17Q037

Please explain the requirements:

PFMI: Q.18.3.1AGC: 79b

G17Q038

Please explain how these debit caps work:

PFMI: Q.18.3.1AGC: 79c

G17Q039

What type or types of settlement controls

PFMI: Q.18.3.1AGC: 79d.

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

G17Q040

Please explain:

PFMI: Q.18.3.1AGC: 79e.

G17Q041

Please explain:

PFMI: Q.18.3.1AGC: 79f.

As per Articles 117-131 of Rules of procedure of CD AD (attached file).

G17Q042

Please explain:

PFMI: Q.18.3.1AGC: 79g.

G17Q043

Please identify and explain:

PFMI: Q.18.3.1AGC: 79h

G17Q044

Please explain briefly how these work:

PFMI: Q.18.3.1AGC: 79i

G17Q045

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

PFMI: Q.18.3.2AGC: n/a

As per Articles 7-30 and 229-235 of Rules of procedure of CD AD (attached file).

G17Q046

What are the CSD's procedures for managing the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements?

PFMI: Q.18.3.3AGC: n/a

As per Articles 20-30 of Rules of procedure of CD AD (attached file).

G17Q047

What enforcement actions are available to the enforcement authority?

PFMI: Q.18.3.3AGC: 24

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

G17Q048

Please explain:

PFMI: Q.18.3.3AGC: 24a

G17Q049

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

PFMI: Q.18.3.3AGC: 25

- ☐ Yes
- ☒ No

G17Q050

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

PFMI: Q.18.3.3AGC: 25a.

G17Q051

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

PFMI: Q.18.3.4AGC: n/a

By public announcement, press release and the CD AD's internet site.

G17Q052

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules of Procedure

1

Tiered participation (PFMI Principle 19)

G18Q001

Summary narrative for PFMI Principle 19. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

PFMI: Annex A - CSD disclosure template - IV.P19AGC: n/a

The securities system of CD AD (national register of dematerialised securities) is structured on the end investor accounts.

G18Q002

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

PFMI: Q.19.1.1AGC: n/a

No

G18Q003

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

PFMI: Q.19.1.2AGC: n/a

For local investors, the CD AD maintains a register of beneficial owners /end investor accounts/. The collection of information on foreign investors with indirect participation is carried out in accordance with Regulation 2018/1212 and SRD.

G18Q004

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

PFMI: Q.19.1.3AGC: n/a

Risk assessment regarding the collection of information on a final owner of securities is in the competence of the Financial Supervision Commission and the issuer. In relation to local investors, the risk assessment is carried out according to ISO 9001:2015 and 27001:2022.

G18Q005

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

PFMI: Q.19.1.4AGC: n/a

No tiered participation.

G18Q006

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

PFMI: Q.19.2.1AGC: n/a

No indirect participants.

G18Q007

Has the CSD identified (a) the proportion of activity that each direct participant conducts on behalf of indirect participants in relation to the direct participants' capacity, (b) direct participants that act on behalf of a material number of indirect participants, (c) indirect participants responsible for a significant proportion of turnover in the system, and (d) indirect participants whose transaction volumes or values are large relative to the capacity of the direct participant through which they access the CSD to manage risks arising from these transactions?

PFMI: Q.19.3.1AGC: n/a

This is in the competence of the Financial Supervision Commission .

G18Q008

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

PFMI: Q.19.3.2AGC: n/a

No indirect participants.

G18Q009

What are the CSD's policies for reviewing its rules and procedures in order to mitigate risks to the CSD arising from tiered participation? How frequently is this review conducted?

PFMI: Q.19.4.1AGC: n/a

No tiered participation.

G18Q010

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

PFMI: Q.19.4.2AGC: n/a

The risk assessment is carried out according to ISO 9001:2015 and 27001:2022.

G18Q011

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Links (PFMI Principle 20)

G19Q001

Summary narrative for PFMI Principle 20. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

PFMI: Annex A - CSD disclosure template - IV.P20AGC: n/a

CD AD maintains operational links with other depository institutions. The links are approved by the FSC. The CD AD processes all transfers, according to the synchronized rules of the transaction counterparties. All positions and transactions are subject to continuous reconciliation in order to avoid risk.

G19Q002

What process is used to identify potential sources of risk (such as, legal, credit, liquidity, custody and operational risks) arising from prospective links? How does this affect the CSD's decision whether to establish the link?

PFMI: Q.20.1.1AGC: n/a

As per Articles 233-235 of the Rules of procedure of CD AD (attached file).

G19Q003

What links have been established with other CSD? How does the CSD identify, monitor and manage the risks arising from an established link on an ongoing basis?

PFMI: Q.20.1.2AGC: n/a

CBL, BNBGSSS. The monitoring and managing the risks are constant (As per Articles 233-235 of the Rules of procedure of CD AD).

G19Q004

Please list all depositories or settlement systems to which you have an electronic link (note: this excludes institutions where you only hold accounts without further system linkage).

PFMI: Q.20.1.2 AGC: 38

CD AD has links to Clearstream and BNBGSSS.

G19Q005

How does the CSD ensure that link arrangements are designed so that it is able to remain observant of the other principles? How frequently is this analysis conducted?

PFMI: Q.20.1.3AGC: n/a

As per Articles 6 and 13-14a of the Rules of procedure of CD AD (attached file).

G19Q006

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

PFMI: Q.20.2.1AGC: n/a

Only in EU jurisdictions (and Bulgarian law).

G19Q007

How does the CSD ensure that its links have a well founded legal basis that support its design and provide it with adequate protection in all relevant jurisdictions? How does the CSD ensure that such protections are maintained over time?

PFMI: Q.20.2.2AGC: n/a

The CD AD treats the entities with which it has a link as its members. And the conditions for membership in the CD AD are in accordance with the legislative requirements and the laws of Bulgaria and the EU.

G19Q008

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

PFMI: Q.20.3.1AGC: n/a

As per Articles 233-235 of Rules of the procedure of CD AD (attached file).

G19Q009

If a CSD extends credit to a linked CSD, what processes exist to ensure that credit extensions to the linked CSD are fully covered by high-quality collateral and that credit limits are appropriate?

PFMI: Q.20.3.2AGC: n/a

The CD AD does not extend credit to a linked CSD.

G19Q010

Are provisional transfers of securities allowed across the link? If so, what arrangements make provisional transfers necessary, and is the retransfer of these securities prohibited until the first transfer is final?

PFMI: Q.20.4.1AGC: n/a

Provisional transfers of securities are not allowed across the link

G19Q011

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

PFMI: Q.20.5.1AGC: n/a

CD AD treats the entities with which it has a link as its members. And the conditions for membership in the CD AD are in accordance with the normative requirements and the laws of Bulgaria and the EU.

G19Q012

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

PFMI: Q.20.5.2AGC: n/a

Reconciliation is performed for each transaction.

G19Q013

How does the investor CSD provide a high-level of protection for the rights of its participants (including segregation and portability arrangements and asset protection provisions for omnibus accounts)?

PFMI: Q.20.5.3AGC: n/a

The conditions for membership in the CD AD are in accordance with the legislative requirements and the laws of Bulgaria and the EU.

G19Q014

If the CSD uses an intermediary to operate a link, what are the criteria used by the CSD to select the intermediary or intermediaries? Are these criteria risk-based?

PFMI: Q.20.6.1AGC: n/a

CD AD does not use an intermediary to operate a link.

G19Q015

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

PFMI: Q.20.6.2AGC: n/a

CD AD does not use an intermediary to operate a link. The CD AD has signed a contract with the linked entities and each party complies with the conditions in it.

G19Q016

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

PFMI: Q.20.6.3AGC: n/a

CD AD does not use an intermediary to operate a link.

G19Q017

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules of Procedure

1

Efficiency and effectiveness (PFMI Principle 21)

G20Q001

Summary narrative for PFMI Principle 21. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

PFMI: Annex A - CSD disclosure template - IV.P21AGC: n/a

CD AD has continuous feedback from its members and customers. In accordance with the requirements of Regulation 909/2014, a User Committee has been established, including representatives of all industry organizations that the Central Depository AD work with. Separately, the CD AD communicates directly with each of those organizations.

G20Q002

How does the CSD determine whether its design (including its clearing and settlement arrangement, its operating structure, its delivery systems and technologies, and its individual services and products) is taking into account the needs of its participants and the markets it serves?

PFMI: Q.21.1.1AGC: n/a

Pursuant to Regulation 909/2014, a User Committee has been established, through which CD AD collects information (feedback) from its members / clients.

G20Q003

How does the CSD determine whether it is meeting the requirements and needs of its participants and other users and continues to meet those requirements as they change (for example, through the use of feedback mechanisms)?

PFMI: Q.21.1.2AGC: n/a

Pursuant to Regulation 909/2014, a User Committee has been established, through which CD AD collects information (feedback) from its members / clients. CD AD collects information (feedback) also through direct contact.

G20Q004

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

PFMI: Q.21.2.1AGC: n/a

CD AD follows all recommendations for implementation of settlement and post-trade services.

G20Q005

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

PFMI: Q.21.2.2AGC: n/a

CD AD follows all recommendations for implementation of settlement and post-trade services.

G20Q006

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

PFMI: Q.21.2.3AGC: n/a

CD AD is licensed under Regulation 909/2014 and as a result is under constant monitoring by the regulatory authorities.

G20Q007

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

PFMI: Q.21.3.1AGC: n/a

The operation of the CD AD is subject to the standards ISO 9001: 2015 and 27001: 2022 and in accordance with Regulation 909/2014.

G20Q008

How frequently does the CSD evaluate its efficiency and effectiveness?

PFMI: Q.21.3.2AGC: n/a

CD AD is under constant monitoring by the regulatory authorities.

G20Q009
filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Communication (PFMI Principle 22)

G21Q001
Summary narrative for PFMI Principle 22. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

PFMI: Annex A - CSD disclosure template - IV.P22AGC: n/a

CD AD's Clearing and Settlement System (CSS) is fully automated. The access is possible through the SWIFT channel or through the FTP protocol. Standardized messages of the ISO 15022, ISO 20022 type are used.

G21Q002
Does the CSD use an internationally accepted communications procedure and, if so, which one(s)? If not, how does the CSD accommodate internationally accepted communication procedures?

PFMI: Q.22.1.1AGC: n/a

SWIFT network

G21Q003
Security Control. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts?

PFMI: Q.22.1.1AGC: 69

- ☐ By direct electronic link
- ☐ By receipt of physical account holding statements
- ☐ Not applicable
- ☒ OTHER: Proprietary FTP chanel, using ISO 15022

G21Q004
Please explain:

PFMI: Q.22.1.1AGC: 69a.

G21Q005
Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?

PFMI: Q.22.1.1AGC: 70

- ☒ Yes
- ☐ No
- ☐ Not applicable

G21Q006
How is access given to participants?

PFMI: Q.22.1.1AGC: 70a.

- ☐ By direct electronic link
- ☒ OTHER: Proprietary FTP chanel, using ISO 15022

G21Q007

Please select type of electronic link:

PFMI: Q.22.1.1AGC: 70b.

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

G21Q008

Please explain:

PFMI: Q.22.1.1AGC: 70c.

Participants can only make changes to the registers by submitting strictly defined messages through the designated communication channels.

G21Q009

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

PFMI: Q.22.1.1AGC: 72

- ☒ Yes
- ☐ No
- ☐ Not applicable

G21Q010

Please explain:

PFMI: Q.22.1.1AGC: 72a

Different communication channels are used with predefined message types.

G21Q011

How does the CSD communicate with Stock Exchanges?

PFMI: Q.22.1.1 AGC: 73 73a

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

G21Q012

How does the CSD communicate with Payment Systems?

PFMI: Q.22.1.1 AGC: 73b

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

G21Q013

How does the CSD communicate with Clearing Houses?

PFMI: Q.22.1.1 AGC: 73c

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

G21Q014

How does the CSD communicate with Registrars?

PFMI: Q.22.1.1 AGC: 73d

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

G21Q015

If the CSD engages in cross-border operations, how do the CSD's operational procedures, processes and systems use or otherwise accommodate internationally accepted communication procedures for cross-border operations?

PFMI: Q.22.1.2AGC: n/a

CD AD joined to T2S and is fully harmonized with the respective requirements.

G21Q016

Does the CSD use an internationally accepted communications standard and, if so, which one(s)? If not, how does the CSD accommodate internationally accepted communication standards?

PFMI: Q.22.1.3AGC: n/a

Yes, ISO 15022 and ISO 20022 for Corporate Action.

G21Q017

If the CSD engages in cross-border operations, how do the CSD's operational procedures, processes and systems use or otherwise accommodate internationally accepted communication standards for cross-border operations?

PFMI: Q.22.1.4AGC: n/a

G21Q018

If no international standard is used, how does the CSD accommodate systems that translate or convert message format and data from international standards into the domestic equivalent and vice versa?

PFMI: Q.22.1.5AGC: n/a

Currently CD AD uses ISO 15022.

G21Q019

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Transparency and disclosure (PFMI Principle 23)

G22Q001

Summary narrative for PFMI Principle 23. Please provide a summary narrative disclosure with sufficient detail and context, as well as any other appropriate supplementary information, to enable readers to understand the CSD's approach to or method for observing the principle. Please use the following questions as guidance for the points of focus and level of detail it is expected to convey in the disclosure. Cross references to publicly available documents should be included, where relevant, to supplement the discussion.)

PFMI: Annex A - CSD disclosure template - IV.P23AGC: n/a

In accordance with art.2, para 6 of the Rules of procedure of CD AD - Amendments to the Rules of the CD AD which concern its members, as well as changes to the rules referred to in paragraph 2 shall be adopted by the BoD of the CD AD after preliminary coordination with the members of the CD AD. CD AD shall publish the draft amendments on its website, and the members of the CD AD shall be given sufficient time to submit proposals and opinions on the draft. Where applicable, the changes in these Rules shall also be coordinated with the Users' Committee of the CD AD.

G22Q002

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

PFMI: Q.23.1.1AGC: n/a

Rules of procedure of CD AD, User CSS Guide and Register of Financial instruments owners.

They are published on the CD AD website.

G22Q003

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

PFMI: Q.23.1.2AGC: n/a

Pursuant to EU Regulation 909/2014, a Users' Committee has been established, through which the CD AD collects information (feedback) from its members / clients.

G22Q004

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

PFMI: Q.23.1.3AGC: n/a

As per Articles 130, 162 and 163 of the Rules of procedure of CD AD.

G22Q005

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

PFMI: Q.23.1.4AGC: n/a

Any planned change is reported to the Financial Supervision Commission and discussed with the members of the CD AD, User Committee is also included in this process.

G22Q006

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

PFMI: Q.23.1.5AGC: n/a

Relevant rules and key procedures are published on the CD AD's website.

G22Q007

What documents comprise information about the system's design and operations? How and to whom does the CSD disclose the system's design and operations?

PFMI: Q.23.2.1AGC: n/a

Rules of procedure of CD AD, User CSS Guide and Register of financial instruments owners.

They are published on the CD AD website.

G22Q008

How and to whom does the CSD disclose the degree of discretion it can exercise over key decisions that directly affect the operation of the system

PFMI: Q.23.2.2AGC: n/a

To the Financial Supervision Commission upon request and art. 133 of Law on public offering of securities.

G22Q009

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

PFMI: Q.23.2.3AGC: n/a

As per the Rules of procedure of CD AD published on the CD AD website. CD AD is also entitled to provide information to its participants via communication channels.

G22Q010

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

PFMI: Q.23.3.1AGC: n/a

Pursuant to EU Regulation 2014/909, a User Committee has been established, through which the CD AD collects information (feedback) from its members / clients. In case of necessity public meetings and discussions are organized.

G22Q011

Is there evidence that the means described above enable participants' understanding of the CSD's rules, procedures and the risks they face from participating in the CSD?

PFMI: Q.23.3.2AGC: n/a

Pursuant to EU Regulation 2014/909, a User Committee has been established, through which the CD AD collects information (feedback) from its members / clients.

G22Q012

In the event that the CSD identifies a participant whose behaviour demonstrates a lack of understanding of the CSD's rules, procedures and the risks of participation, what remedial actions are taken by the CSD?

PFMI: Q.23.3.3AGC: n/a

As per Articles 26-30 of the Rules of procedure of CD AD. CD AD is entitled to provide information to its participants via communication channels.

G22Q013

Does the CSD publicly disclose its fees at the level of its individual services and policies on any available discounts? How is this information disclosed?

PFMI: Q.23.4.1AGC: n/a

The fees are disclosed in the "TARIFF OF THE PRICES OF SERVICES PROVIDED BY CENTRAL DEPOSITORY AD".

The Tariff is published on CD AD's website:

Please see answer of question 693.

G22Q014

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

PFMI: Q.23.4.2AGC: n/a

The Tariff changing procedure are coordinated in advance with responsible market associations/stakeholders.

G22Q015

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

PFMI: Q.23.4.3AGC: n/a

Yes, the CD AD provides detailed description of the priced services it the Tariff (PFMI: Q.23.4.1) and respective comparison with similar CSDs is possible.

G22Q016

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

PFMI: Q.23.4.4AGC: n/a

Factors that affect the costs of operating the CD AD are disclosed in the Annual Financial Statement.

G22Q017

When did the CSD last complete the PFMI Disclosure framework for financial market infrastructures? How frequently is it updated? Is it updated following material changes to the CSD and its environment and, at a minimum, every two years?

PFMI: Q.23.5.1AGC: n/a

G22Q018

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

PFMI: Q.23.5.2AGC: n/a

Information about registered issues and financial instruments. The information is updated daily.

G22Q019

What other information does the CSD disclose to the public?

PFMI: Q.23.5.3AGC: n/a

Information about the shareholders, the structure of the CD AD and its members, annual reports.

G22Q020

Capital. Are annual financial statements publicly disclosed?

PFMI: Q.23.5.3AGC: 13

☒ Yes☐ No

G22Q021

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

PFMI: Q.23.5.3AGC: 13a.

☒ Yes☐ No

G22Q022

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

PFMI: Q.23.5.3AGC: 13b.

AFS CD AD 2024.pdf (5139KB)

1

G22Q023

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

PFMI: Q.23.5.3AGC: 13c.

G22Q024

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

PFMI: Q.23.5.3AGC: 13d.

AFS for 2024 is published on the CD AD website:

<https://www.csd-bg.bg/md/financialReport.xhtml>

G22Q025

If no, and annual report and/or financial statements are not disclosed, please state your share capital, reserves, and retained earnings (or equivalents as determined under local accounting standards). Share Capital (then please answer 13f):

PFMI: Q.23.5.3AGC: 13e.

G22Q026

Reserves (then please answer 13g):

PFMI: Q.23.5.3AGC: 13f.

5 645 000 BGN

G22Q027

Retained Earnings:

PFMI: Q.23.5.3AGC: 13g.

(33 000) BGN

G22Q028

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

PFMI: Q.23.5.4AGC: n/a

The information is disclosed to the public via: Commercial register, CD AD web site (both Bulgarian and English).

G22Q029

AGC members from time to time receive requests from their direct investor-clients for an informational copy of a CSD's completed questionnaire. Such requests typically lead to interactions between personnel at the CSD in question and member personnel or client personnel, or both. Those interactions take time and impose costs on both members and depositories. Do you approve of AGC members delivering a copy of your completed questionnaire to the member's direct client in response to the client's request?

PFMI: Q.23.5.4AGC: 100

☐ Yes☐ No

G22Q030

Are the results of the financial audit publicly available?

PFMI: Q.23.5.4 AGC: 15f

- ☒ Yes
- ☐ No

G22Q031

Are the results of the operational audit publicly available?

PFMI: Q.23.5.4AGC: 16f

- ☐ Yes
- ☒ No

G22Q032

List of publicly available resources. Please list publicly available resources, including those referenced in the disclosure, that may help a reader understand the CSD and its approach to observing each applicable PFMI Principle.

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

G22Q033

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules of Procedure

1

Compliance with SEC Rule 17f-7

G23Q001

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

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

PFMI: n/a AGC: 1

- ☒ Yes
- ☐ No

G23Q002

Please explain

PFMI: n/aAGC: 1a

CDAD does not operate as an Issuer CSD or provide register services for U.S. securities or U.S. registered investment companies. There is no total US issue registered in CDAD register. CDAD operates as authorised CSD for BG dematerialized financial instruments.

Please note this disclaimer for all the answers in the section!

G23Q003

Rule 17f-7 also requires that an Eligible Securities CSD "acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated," or "acts as or operates a transnational system for the central handling of securities or equivalent book-entries." Does your institution:

PFMI: n/aAGC: 2

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

G23Q004

Please explain:

PFMI: n/aAGC: 2a.

G23Q005

Please specify the types of securities for which you act as or operate a system for the central handling of securities or equivalent book-entries:

PFMI: n/aAGC: 2b.

All dematerialized securities as stipulated in the national law - Law of Markets in financial instruments and Law on Public offering of securities - bonds, shares, warrants, rights, etc.

G23Q006

Rule 17f-7 requires that an Eligible Securities Depository regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act, with section 2(a)(50) establishing that z 'foreign financial regulatory authority' means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above." Who regulates the activities of the CSD?

PFMI: n/aAGC: 8

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

G23Q007

Please explain:

PFMI: n/aAGC: 8a.

Financial Supervision Commission is the competent authority under CSDR and it is National Supervisory Authority under national legislation.

G23Q008

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

PFMI: n/aAGC: 9

Financial Supervision Commission

G23Q009

Rule 17f-7 requires that an Eligible Securities Depository is subject to periodic examination by regulatory authorities or independent accountants. Is the CSD subject to periodic examination by:

PFMI: n/aAGC: 10

- ☒ Regulatory authorities?
- ☒ Independent accountants?
- ☐ OTHER:

G23Q010

Please explain:

PFMI: n/aAGC: 10a

Financial Supervision Authority is responsible for all activities of CDAD and independent accountants - for all financial activities and certify annual financial reports.

G23Q011

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

PFMI: n/aAGC: 11

Financial Supervision Commission

G23Q012

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

PFMI: n/aAGC: 11a.

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

G23Q013

Please explain:

PFMI: n/aAGC: 11b.

G23Q014

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

PFMI: n/a AGC: 11c.

Bulgarian National Bank is respective authority under CSDR

- ☐ Fines
- ☐ Restrictions on CSD activities.
- ☐ Suspension of CSD activities.
- ☐ Termination of CSD activities.
- ☒ OTHER: Bulgarian National Bank cooperates with Financial Supervision Authority

G23Q015

Please explain:

PFMI: n/a AGC: 11d.

G23Q016

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

PFMI: n/aAGC: 12

- ☐ Yes
- ☒ No
- ☐ OTHER:

G23Q017

If yes, please explain:

PFMI: n/aAGC: 12a.

G23Q018

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

PFMI: n/aAGC: 90

- ☐ Yes
- ☒ No
- ☐ Not applicable

G23Q019

Please describe:

PFMI: n/aAGC: 90a.

G23Q020

In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the CSD?

PFMI: n/aAGC: 90b.

- ☐ Yes
- ☐ No

G23Q021

If yes, please describe:

PFMI: n/aAGC: 90c.

G23Q022

If no, why not?

PFMI: n/aAGC: 90d.

G23Q023

Rule 17f-7 requires that an Eligible Securities Depository holds assets for the custodian that participates in the system on behalf of the Fund under safekeeping conditions no less favorable than the conditions that apply to other participants. Please confirm that assets of foreign investors held by custodians as participants in the CSD are held under safekeeping conditions no less favorable than the conditions that apply to other participants.

PFMI: n/a AGC: 21

- ☒ Yes
- ☐ No
- ☐ Not applicable

G23Q024

If no, other or not applicable, please explain:

PFMI: n/aAGC: 21a.

G23Q025

Please confirm the basis for the arrangements you have in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants.

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

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

G23Q027

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

PFMI: n/a AGC: 21d

pls. see Rules of procedure of CDAD, General Terms and conditions and Agreement for participation.

<https://csd-bg.bg/index.xhtml>

G23Q028

Rule 17f-7 requires that an Eligible Securities Depository provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account. Does the CSD make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?

PFMI: n/a AGC: 46

- ☒ Yes
- ☐ No

G23Q029

If no or other, please explain

PFMI: n/a AGC: 46a.

G23Q030

If yes, please indicate the scheduled frequency:

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

- ☐ Real time
- ☐ Daily
- ☐ Weekly
- ☐ Monthly
- ☐ Quarterly
- ☐ Annually
- ☐ Upon request
- ☒ OTHER: Hourly

G23Q031

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

PFMI: Q.11.5.2 AGC: 53

☒ Yes

☐ No

☐ Not applicable

☐ OTHER:

G23Q031A

If answer to question 'G23Q031' is other or not applicable, please explain

PFMI: Q.11.5.2 AGC: 53a

G23Q032

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

Relevant RSSS recommendations

G24Q001

Confirmation of trades between direct market participants should occur as soon as possible after trade execution, but no later than trade date (T+0). Where confirmation of trades by indirect market participants (such as institutional investors) is required, it should occur as soon as possible after trade execution, preferably on T+0, but no later than T+1.

PFMI: 2 - Trade confirmation AGC: n/a

Confirmation of trades by indirect market participants (such as institutional investors) occurs on T+0, because institutional investors (and other indirect market participants) trade through direct participants.

G24Q002

Rolling settlement should be adopted in all securities markets. Final settlement should occur no later than T+3. The benefits and costs of a settlement cycle shorter than T+3 should be evaluated.

PFMI: 3 - Settlement cycles AGC: n/a

At the moment settlement cycle at the CD AD occurs on T+2.

G24Q003

Securities lending and borrowing (or repurchase agreements and other economically equivalent transactions) should be encouraged as a method for expediting the settlement of securities transactions. Barriers that inhibit the practice of lending securities for this purpose should be removed.

PFMI: 5 - Securities lending AGC: n/a

As per Articles 194 and 195 of the Rules of procedure of CD AD (attached file).

G24Q004

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

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

Only issues of financial instruments that are entirely immobilized or dematerialized are allowed to be registered in the CD AD and to be traded. According to the regulations, partial immobilization or dematerialization is not allowed.

G24Q005

Entities holding securities in custody should employ accounting practices and safekeeping procedures that fully protect customers' securities. It is essential that customers' securities be protected against the claims of a custodian's creditors.

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

This topic is related to the legislation and regulations of the intermediaries and banks.

G24Q006

filecount - Add relevant appendices for this group.

PFMI: n/a AGC: n/a

CSDRULES_EN_2024.pdf (1086KB)

CDAD Rules of Procedure

1

Cyber Security

G25Q001

Does your organization have a documented cyber security policy in place?

PFMI: n/a AGC: 101

☒ Yes☐ No

No English version available.

G25Q002

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

PFMI: n/a AGC: 102

☒ Yes☐ No

CD AD staff receive relevant training once per year.

G25Q003

Please confirm what topics are covered by your policy for continuity of business in the event of a large data breach or cyber attack against your organization.

PFMI: n/a AGC: 103

☒ IT Asset & Inventory Management☐ Architecture Management☐ Change Management☒ Security Awareness & Training☒ IT Protective Security Technology☒ Access Management☒ Logging, Monitoring, and Alerting☒ Cyber Event Detection☒ Incident Response and Recovery☐ OTHER:

G25Q004

In the last 12 months have there been any changes to the policy?

PFMI: n/a AGC: 104

☒ Yes☐ No

Adding additional policies depending on the new regulatory policies

G25Q005

Please advise how often you review the policy.

PFMI: n/a AGC: 105

- ☐ Annually
- ☒ Semi-annually
- ☐ Other

G25Q006

filecount - Please provide (as an attachment) a diagram showing where your cyber security function resides and who it reports to.

PFMI: n/a AGC: 106

G25Q007

How does your organization identify cyber risks to business functions?

PFMI: n/a AGC: 107

- ☐ Enterprise Risk Management Framework
- ☒ External Reviews
- ☒ Risk and Control Assessments
- ☐ OTHER:

G25Q008

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?

PFMI: n/a AGC: 108

- ☒ Yes
- ☐ No

Regular testing is conducted to prevent cybersecurity breaches, with a minimum frequency of at least twice per year.

G25Q009

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

PFMI: n/a AGC: 109

- ☐ Encryption of data at rest
- ☒ Encryption of data in transit
- ☒ Anti-virus software
- ☒ Anti-malware software
- ☒ Intrusion detection systems
- ☒ Intrusion prevention systems
- ☒ Firewalls
- ☒ Patch Management
- ☒ User Access Controls
- ☐ OTHER:

G25Q010

Does your organization use multi-factor authentication

PFMI: n/a AGC: 110

- ☒ Yes
- ☐ No

For outside authorization and authentication.

G25Q011

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

PFMI: n/a AGC: 111

- ☐ Yes
- ☒ No
- ☐ Not applicable as no outsourcing

G25Q012

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

PFMI: n/a AGC: 112

- ☐ Incident Response Plan
- ☒ Logging of IT systems
- ☐ Searching for network traffic patterns
- ☒ Searching for user login patterns
- ☐ OTHER:

G25Q013

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

PFMI: n/a AGC: 113

- ☒ 1 - 4 hours
- ☒ 4 - 8 hours
- ☐ 8 - 24 hours
- ☐ Longer than 24 hours
- ☐ OTHER:

G25Q014

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

PFMI: n/a AGC: 114

- ☒ By e-mail
- ☒ By telephone
- ☐ Public announcement
- ☒ Press release

G25Q015

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.

PFMI: n/a AGC: 115

- ☐ Yes
- ☒ No

G25Q016

Are the following elements of your cybersecurity framework tested pre deployment of changes?

PFMI: n/a AGC: 116a

- ☒ Vulnerability assessment
- ☒ Scenario based penetration tests
- ☐ Testing of incident response process and technical/business/operations (e.g. table-top exercise)
- ☐ OTHER:

G25Q016A

Are the following elements of your cybersecurity framework tested post deployment of changes?

PFMI: n/a AGC: 116b

- ☐ Vulnerability assessment
- ☐ Scenario based penetration tests
- ☐ Testing of incident response process and technical/business/operations (e.g. table-top exercise)
- ☐ OTHER:

G25Q017

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

PFMI: n/a AGC: 117

- ☐ Yes
- ☐ No
- ☐ Not applicable as cloud not used

G25Q018

Does your organisation have a cyber threat intelligence programme to understand and protect against a potential threat actor's motives, targets, and attack behaviors?

PFMI: n/a AGC: 118

- ☐ Yes
- ☒ No

G25Q019

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

PFMI: n/a AGC: 119

- ☒ Yes
- ☐ No

G25Q020

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

PFMI: n/a AGC: 120

- ☒ Yes
- ☐ No

Appendices

G26Q001
filecount - Add relevant appendices

PFMI: n/a AGC: n/a