HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT

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

57. How are eligible securities lodged in the depository system? (Choose all that apply.)
A participant delivers the security with a valid transfer deed or stock power or other transfer document to the depository which then effects registration.

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

59. How long does it usually take to lodge securities with the depository? (Choose one.)
3 days to 1 week, Other (please answer 59b)

59b. If other, please explain:
It takes up to 10 business days.

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

Be traded?
No (please answer 60c)

60a. During the process of lodging securities into the depository, can the securities:
Be settled?
No (please answer 60d)

60b. During the process of lodging securities into the depository, can the securities:
Have ownership transferred?
No (please answer 60e)
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>60c. If they cannot be traded, or if you answered other, please explain:</td>
<td>as 60e</td>
</tr>
<tr>
<td>60d. If they cannot be settled, or if you answered other, please explain:</td>
<td>as 60e</td>
</tr>
<tr>
<td>60e. If ownership cannot be transferred, or if you answered other, please explain:</td>
<td>Under Art. 127. (1) of LPOS The issue and disposal of dematerialized securities shall become effective only after they have been registered at the Central Depository. Rights from securities are created from the moment the securities are registered on the securities account and the owner of the securities account is entitled to these rights. These securities exist only in book-entry form and are registered in beneficial securities accounts. Trade in these securities is only possible after their registration. The record date /the book entry/ is the efficient moment of any transfer.</td>
</tr>
<tr>
<td>61. Are securities immediately available for delivery upon transfer to the depository?</td>
<td>Yes</td>
</tr>
<tr>
<td>62. Please describe briefly the arrangements/procedures/facilities you maintain to ensure that eligible securities held at the depository are handled at least as efficiently as compared to securities held outside the depository, particularly in relation to income, corporate actions and proxy services.</td>
<td>Currently all dematerialised securities /except Government bonds/ are held at the depository. N.a</td>
</tr>
<tr>
<td>63. How are eligible securities removed from the depository? (Choose one.)</td>
<td>Other (please answer 63a)</td>
</tr>
<tr>
<td>63a. Please specify:</td>
<td>Withdrawal of securities from the depository takes place upon issuer's request. This is verified by deregistration certificate issued</td>
</tr>
<tr>
<td>64. How long does it usually take to remove securities from the depository? (Choose one.)</td>
<td>Other (please answer 64b)</td>
</tr>
<tr>
<td>64b. If other, please explain:</td>
<td>It takes up to 10 business days.</td>
</tr>
<tr>
<td>65. While the securities are being removed from the depository, can they:</td>
<td></td>
</tr>
<tr>
<td>65a. Be traded? (Choose one)</td>
<td>No (please answer 65b)</td>
</tr>
<tr>
<td>65b. Please explain:</td>
<td>While the securities are being removed, all the registered trades before that period have to be settled and new trades are not registered.</td>
</tr>
</tbody>
</table>
65c. Be settled?
Yes

65e. Have ownership transferred?
Yes

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

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**Depository Liability**

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

66a. Reconciliation errors with the registrar and/or the issuer?
Not applicable

66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository?
Not applicable

66i. Failure of the depository's systems that result in direct damages or losses to participants because they cannot use either securities or funds?
Yes (please answer 66j)

66j. If yes, please check all of the following that apply:
The depository assumes liability for direct losses

66m. Any loss caused by the depository due to errors, omissions or fraud that cause direct damages or losses to participants?
Yes (please answer 66n)

66n. If yes, please check all of the following that apply:
The depository assumes liability for direct losses

66q. The depository acting as the central counterparty?
Not applicable

66u. Does the depository guaranty settlement?
Yes (please answer 66v)
66v. Please explain how this is accomplished. What are the procedures and safeguards that permit the depository to guaranty settlement?

Rules of CD AD - Enclosure 23(E23)- Completion of Transactions with Securities through Gross Settlement System in Real Time

This procedure specifies the technology of processing and completion of transactions with securities. Subject of Regulation: 1. Subject of this procedure is as follows: All transactions with securities concluded on the regulated securities markets; Transactions registered with Central Depository AD with an order for monetary settlement on them; Transfer of securities as a result of initial offering or buy-back of securities; Buy-back and offering of securities by investment companies – open type; Orders for transfer of funds between settlement and non-settlement accounts of investment intermediaries; Other transactions which require transfers of funds. Main principles of processing of transactions with securities: 2. The transactions with Central Depository AD shall be finalized on day T + 2 / the second day / following day T. 3. The transactions with Central Depository AD shall be finalized on net basis in respect of cash receivables and obligations thereon. The net position of each member of Central Depository AD shall be calculated on basis of the transactions under item 1 performed during the day as well as those not finalized from the previous days. 4. The investment intermediaries shall be obliged to open at least one account (settlement account) under special management condition with any commercial bank, operating with RINGS for finalizing transactions with securities, according to Procedure of payments under transactions with dematerialized securities /PP/. The investment intermediaries have no right to debit these accounts in other way except by an order to Central Depository AD. 5. Central Depository AD shall be notified at least twice daily by the banks under item 8 about the funds available on the settlement accounts of the investment intermediaries. In case Central Depository AD is not notified about a settlement account of an investment intermediary, it shall accept that there are no funds available on this account. 6. The banks, members of the Depository declare before Central Depository AD a limit of cash funds intended for completion of transactions with securities /personal or administrated by their clients/. 7. Settlement account shall be debited by a holder – investment intermediary only for finalizing transactions with securities or pursuant to an order of transferring cash funds to other non-settlement account. 8. After calculation of the net positions of the investment intermediaries, the new debit net positions shall be compared to the data submitted by the commercial banks about the funds available on the settlement accounts of the investment intermediaries under item 9. In case of insufficiency the net position of the investment intermediary shall be corrected to a net position which is lower or equal to the funds available on all its settlement accounts. The correction shall be carried out in delay of finalizing a sufficient number of buy transactions of the respective investment intermediary under the present procedure. 9. After calculation of the net positions of the investment intermediaries, the new debit net positions shall be compared to the data submitted by the commercial banks about the funds available on the settlement accounts of the investment intermediaries under item 9. In case of insufficiency the net position of the investment intermediary shall be corrected to a net position which is lower or equal to the funds available on all its settlement accounts. The correction shall be carried out by later finalization of sufficient number of buy transactions of the respective investment intermediary under the present procedure. 9. When the net positions are calculated the following priorities listed from the highest to the lowest, shall be observed: Priority by type of market and market segments: Transactions concluded on regulated markets; Buy-back, commercial offering and other transactions under specific conditions for securities registered on regulated markets; Initial public offering; Transaction concluded on unregulated markets; Orders by investment intermediaries for transfer of funds to non settlement accounts. Priority by type of transaction: Transactions in which the parties – investment intermediaries trade at the expense of their clients; Transactions in which one of the parties - investment intermediaries trade at the expense of its clients; Transactions in which the parties – investment intermediaries trade at their own expense. Priority by time of conclusion of the transactions: Transactions received in the system earlier or concluded earlier on the regulated market are of higher priority in case of equal priorities under p. 13.1 and p. 13.2. 10. Transfer of cash funds from a settlement account to non-settlement account shall be performed through Central Depository AD. The investment intermediaries may order these transfers in writing or in electronic format as specified by the depository. The orders are entered to the current settlement cycle if received until 13.30 h. Otherwise they shall be accepted for completion in the next settlement cycle. Technology of finalizing the transactions: 1. Central Depository considers the day marked as day T as follows: · For transactions concluded on the Bulgarian Stock Exchange – this is the day of receiving the transactions data. In case of delay by the Bulgarian Stock Exchange in submitting the data of the transactions, the Central Depository shall try to compensate the delay according to the day of conclusion; · For OTC transactions – this is the day of finalizing the process of comparison and establishment the uniformity of the requisites (matching) of messages for the transactions. 2. Until the end of day T – 18.00 h. sufficient data for conclusion of the transaction should be submitted to Central Depository AD by the parties of the transaction – investment intermediaries. 3. The transaction data shall be reviewed until 19.00 h. and notice shall be submitted back to the investment intermediaries – parties of the transaction about eventual mistakes or discrepancies as well as about the stage of processing of the transaction. In case within the term under p. 12 insufficient data for conclusion of the transaction are submitted in Central Depository system, the check shall be performed after receipt of the data. 4. On day T + 1 until 17.00 h. the investment intermediaries may correct the mistakes, correction of the transaction data. 5. On day T + 2 until 9.00 h. the commercial banks shall submit information about the funds available on the settlement accounts of the investment intermediaries to Central Depository AD. 6. On day T + 2 at 9.00 h. Central Depository AD shall list all the transactions with correctly received data by priorities as specified under p. 9.6.1. Central Depository AD shall check the availability of the securities on the accounts of the holders – sellers of the
transaction. In case of insufficiency of securities, the respective transaction shall not be processed under the general procedure and shall be marked “lack of securities”. The check on securities availability shall include the amount to be acquired from executable „buy transaction” of the respective securities, the same holder and which shall be finalized within the same settlement period. 6.2. For all the transactions, the securities shall be blocked on the account on which they are available. Central Depository shall consider that the moment of blocking of the securities under this procedure is the moment within the meaning of Art. 109c of Public Offering of Securities Act, after which no participant with the system or third party may cancel or repeal an order accepted by Central Depository system, or the fulfillment of this order to be frustrated in any other way. After that moment Central Depository does not execute a distraint or orders of establishing other encumbrances on the securities, being subject of the respective transaction. 6.3. Upon initiating the settlement of all the transactions at the expense of the clients where more than one client participates, the securities shall be transferred to intermediate account (under p.6.7. of Enclosure 7/E07), from which they shall be allocated according to the orders for transfers thereafter. 7. On the basis of all successively checked transactions, the net position of the respective investment intermediary shall be calculated by summarizing the amounts of all the orders by which the investment intermediary with receive funds and deducting the amounts of orders by which the investment intermediary is obliged to pay. The net position as calculated is debit, credit or zero. 8. Debit positions of each investment intermediary shall be compared to the amount of the funds available on its settlement accounts. In case of insufficiency of funds, the respective transaction shall not be processed under the general procedure and is marked “lack of funds”. The transactions shall be extracted one after another whereas new net positions of all investment intermediaries shall be calculated. 9. The steps under p.18 shall be repeated until all net debit positions are lower or equal to the total summarized funds available on the settlement accounts of the investment intermediary. 10. Central Depository AD following completion of processing shall inform the investment intermediaries about the status of the deals. 11. From 10.30 to 13.00 h. the investment intermediaries may correct the funds available on the settlement accounts with the commercial banks. 12. On day T+2 until 13:00 h. the commercial banks shall submit the final data in respect of the funds available on the settlement accounts of the investment intermediaries to the Central Depository AD. 13. Central Depository AD shall perform the operations as specified from p.16 to p.20 considering the new availabilities ordered by the commercial banks on the settlement accounts of the investment intermediaries. In case a bank does not submit any data under item 28, Central Depository AD shall consider the data received under p.15 to be true. In case no data are received during the respective settlement period, Central Depository AD shall consider these accounts to have zero balance. The operations from p.16 to p.20 shall be performed on every round hour from 8:00 to 13:00 h. 14. On the basis of the received net positions of the investment intermediaries under p.18 and considering the burden of allocating the funds available on the settlement accounts of the investment intermediaries among the respective commercial banks as well as the positions of the banks themselves as a result of their transactions with securities, the net position of each commercial bank is found toward RINGS. For this purpose, all credit positions shall be summarized and all debit positions on the settlement accounts of the investment intermediaries - clients of the bank shall be deducted, as well as its own positions as a result of transactions with securities. The calculated net position is debit, credit or zero. 15. Central Depository AD on the basis of the calculations under p. 24, at 15.00 h. shall prepare and submit a message “Net Settlement Order” to RINGS, according to PP. 16. Until 17.00 h. Central Depository AD shall receive from RINGS a feedback for successful or unsuccessful processed message “Net Settlement Order”. 17. In case of unsuccessfully processed message under p.26, all transactions shall be transferred for the next settlement period, whereas during the calculation, the net positions of the commercial banks under p.24 for which information “Insufficient cash funds” is received, shall be deducted. 18. In case of successfully processed message “Net Settlement Order”, the securities are transferred to the accounts of the holders. In case of transactions where the sellers and/or buyers are more than one, the securities shall be transferred by the respective transfer accounts (under p.6.7 of Enclosure 7/E07) of the investment intermediaries, being parties of the transaction. 19. In case of successfully processed message “Net Settlement Order”, Central Depository AD shall prepare a message to the commercial banks for the net positions on each settlement account with them as a result of the settlement performed on transactions with securities. The reference number of the transaction with the securities with Central Depository AD shall be specified as reason for the operations performed. 20. Central Depository AD shall notify the investment intermediaries for the finalized transactions. 21. The transactions marked as “waiting securities “ or “waiting cash funds” shall be included in every settlement period to follow until they are successfully finalized but not later than day T+7 inclusive. After that period they shall be marked “Not executable” and the respective parties and officials shall be advised thereafter. After expiration of this period the transaction shall be kept registered with Central Depository AD system and may be processed on the ground of further written information received by the regulated market or the parties of the transaction.

66x. Force majeure events, acts of God, or political events, etc.? No

66+. In all cases where the depository assumes responsibility for direct or indirect or consequential losses, is the depository's liability limited by a
### Security Control

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

- **67a. Indemnification**
  - No

- **67d. Insurance**
  - No

- **67g. Acknowledgement of liability for losses caused by depository’s own actions.**
  - No

- **67j. Other**
  - No

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

- No

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

- By direct electronic link
- By receipt of physical account holding statements

#### 70. Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.? (Please answer 70a)

- Yes

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

- By direct electronic link (please answer 70b)

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

- Secured, leased, dedicated telephone line
- Internet

#### 71. Regarding data security:

- **71a. Are passwords used by participants to access their accounts?**
<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>71c. Does each user have a unique user ID?</td>
<td>Yes</td>
</tr>
<tr>
<td>71e. Are passwords regularly changed?</td>
<td>Yes</td>
</tr>
<tr>
<td>71f. How often?</td>
<td>monthly</td>
</tr>
<tr>
<td>71h. Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?</td>
<td>Yes</td>
</tr>
<tr>
<td>71i. How many?</td>
<td>5</td>
</tr>
<tr>
<td>72. Does the depository communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?</td>
<td>Yes</td>
</tr>
<tr>
<td>72a. Please explain:</td>
<td>Bulgarian Stock Exchange, Bulgarian National Bank, RoClear;</td>
</tr>
<tr>
<td>73. How does the depository communicate with other market entities?</td>
<td></td>
</tr>
<tr>
<td>73a. Stock Exchanges (Choose all that apply.)</td>
<td>Secured, leased, dedicated telephone line, Internet</td>
</tr>
<tr>
<td>73b. Payment Systems (Choose all that apply.)</td>
<td>Secured, leased, dedicated telephone line</td>
</tr>
<tr>
<td>73c. Clearing Houses (Choose all that apply.)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>73d. Registrars (Choose all that apply.)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>74. How is access to the physical building controlled? (Choose all that apply.)</td>
<td></td>
</tr>
</tbody>
</table>
75. What are the vault security procedures for the safekeeping of physical paper? (Choose all that apply.)
Electronic keys/combinations, Visitor logs, Intrusion alarms, Fire alarms, Guards

Participant Default Protections Resulting from a Participant Failure

76. If a participant defaults, how is the loss covered? (Choose all that apply?)
Other (please answer 76d)

76d. Please explain:
There is a special compensation fund established by law.

77. During the past three years, has there been a situation where a participant defaulted which resulted in a significant loss?
No

78. Does the depository have a guaranty fund independent of stock exchange or other market guarantees?
Yes (please answer 78a)

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

What is the size of the fund (then please answer 78b)?
1 488 265 BGN

78b. How is the size of the fund determined? (Choose one.)
Other (please answer 78c)

78c. If other, please explain:
There is no fixed amount or volume of the fund.

78d. How is the fund financed? (Choose one.)
Other (please answer 78g)

78g. If other, please explain:
Initial contribution from all CSD participant and annual contribution from the CSD itself - Under LPOS 50% of annual profit is transferred to the fund.

78h. Who is covered by the fund? (Choose all that apply.)
Other (please answer 78i)
### 78i. If other, please explain:
All depository participants and the beneficial owners.

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

#### 78k. If other, please explain:
Only when the CSD defaults.

### 79. Does the depository have forms of oversight management for assessing and monitoring of the following? (Choose all that apply.)
Participant eligibility requirements, Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d), Blocking of securities movement before receipt of payment, Blocking payment until securities are moved

### 79d. What type or types of settlement controls (Choose all that apply.)
Blocking or freezing of securities positions (please answer 79e), Controlling DVP settlement (please answer 79f), Simultaneous DVP (please answer 79g)

#### 79e. Please explain:
Settlement of securities is effected upon the confirmation of cash settlement.

#### 79f. Please explain:
as above

#### 79g. Please explain:
as above

### 80. Does the stock exchange have default protections that extend to the depository, such as the following? (Choose all that apply.)
Guaranty fund for stock exchange members

### BUSINESS RECOVERY PLAN

This section is intended to identify key aspects of the depository’s Business Recovery Plan (BRP), including testing requirements and past results, expected recovery time periods, and the independent review and validation (if any) of the BRP.

### 81. Do you have a formal business recovery plan?
Yes (please answer 81a)

#### 81a. Does your Business Recovery Plan include: (Choose all that apply.)
Back-up of all computer files, Off-site data storage, Back-up files stored and locked, Off-site operations facility
81b. Please identify both the frequency and the last date of testing for the following third party:

**Depository participants/members**
usually, every 6 months date - 14.09.2009

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

**Stock exchange**
6 months date - 14.09.2009

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

**Central bank**
daily

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

**Local brokers**
every 6 months date - 14.09.2009

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

**Any other third party**

82. How quickly can the main system be reactivated in the event of an outage? (Choose one.)
4 - 8 hours

83. If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing? (Choose one.)
1 - 4 hours

84. Will the depository publicly announce any system interruption?
Yes (please answer 84a)

84a. To whom will the depository disclose any system interruptions? (Choose all that apply.)
To the depository regulators, To all direct participants, To the public via the internet (please answer 84b)

84b. If so, please list webpage address:
http://www.csd-bg.bg/
84. How will the depository disclose any system interruptions? (Choose all that apply.)
By e-mail, By telephone

85. In the past three years, has it been necessary to activate the recovery plan in a live situation?
No

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

86. Has there been any material loss by the depository during the past three years?
No

87. Has the depository been subject to any litigation involving a participant during the past three years?
No

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

89. Does the depository maintain a reserve for operating losses?
Yes (please answer 89a)

89a. Please describe and indicate reserve amount:
as of 30.06.2009: 809 000 BGN

90. Has the regulatory body with oversight responsibility for the depository issued public notice that the depository is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?
No

90b. In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the depository?

91. Does the depository have insurance for Default?
No

92. Does the depository have insurance for Fidelity?
No
93. Does the depository have insurance for Operational Errors?
   No

94. Does the depository have insurance for Errors and Omissions?
   No

95. Does the depository have insurance for Computer Fraud?
   No

96. Does the depository have insurance for the Premises?
   Not applicable

97. Does the depository have any other insurance?
   No

98. Who is the insurance carrier? If more than one insurance carrier, please list each carrier here and provide your responses to questions 98a and 98b in corresponding order.
   n/a

98a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)
   n/a

98b. What is the term of the policy?
   n/a

98c. Who does the insurance cover? (Choose all that apply.)
   Not applicable

99. 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 99a:

99a. Upload document here:

PUBLIC AVAILABILITY

100. The AGC encourages respondents/depositories to make their answers to this questionnaire publicly available. Will you be making your response publicly available? (For additional guidance, please review the help feature to this question.)
100j. Please be sure your contact details are updated. Your contact information is located in the first section of Part One within this questionnaire.

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

Please provide any comments you have regarding the questionnaire.

Datasheet Progress
Completed