



ECSDA QUESTIONNAIRE (Disclosure Framework)

by Latvian Central Depository

2007

Note to the ECSDA Questionnaire

The purpose of the ECSDA Questionnaire / Disclosure Framework) is to present a single set of answers that could satisfy all the market participants seeking information on depositories.

The questionnaires that have served as a starting point are the Disclosure Framework for Securities Settlement Systems by CPSS/IOSCO, the Depository Questionnaire 2000 by Associations of Global Custodians and the ISSA 2000 recommendations.

Furthermore, having received comments from the ACG, Rule 15f-7 has now been covered in the questionnaire / Disclosure Framework

I - BASIC INFORMATION

The purpose of this section is to identify the Depository and outline its main activities, and the nature of its business.

<p>1. Depository:</p> <p>Name:</p> <p>First year of operation:</p> <p>First year of operation in current ownership structure:</p> <p>Comments (e.g. history of mergers)</p>	<p>AS "Latvijas Centrālais depozitārijs" (registered name) JSC Latvian Central Depository (hereafter-LCD)</p> <p>1996</p> <p>2002</p>
<p>2. Addresses</p> <p>Main office:</p> <p>Other offices:</p> <p>Mailing address:</p> <p>Time zone:</p>	<p>Valnu iela 1, Riga, LV-1050, Latvia</p> <p>Valnu iela 1, Riga, LV-1050, Latvia</p> <p>GMT + 2</p>
<p>3. Contact information (concerning this questionnaire)</p> <p>Contact person/department:</p> <p>Telephone:</p> <p>Fax:</p> <p>E-mail:</p> <p>Web site:</p>	<p>Raitis Vancāns, Member of the Management Board</p> <p>+371 6 7212431</p> <p>+371 6 7229411</p> <p>lcd.riga@omxgroup.com</p> <p>www.lv.omxgroup.com</p>
<p>4. What type of entity is the depository? (Choose all that apply)</p> <p>- Private company</p> <p>- Public company</p> <p>- Limited company</p> <p>- For profit</p> <p>- Non-profit</p> <p>- Bank</p> <p>- Affiliated to stock exchange</p> <p>- Other, please describe</p>	<p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>

<p>5. Legal basis Describe the legal framework for establishment and operation of the depository</p>	<p>LCD was established on 16 December, 1994 in accordance with the Law on Joint Stock Companies (in 2004 the mentioned law had been replaced by Commercial Law). The Law on Financial Instrument Market is the special law regulating legal status and operations of LCD. According with the law LCD has authority to issue legally binding rules to the LCD participants, covering technical and operational aspects of the system.</p>		
<p>6. Internet address of annual report (if published)</p>	<p>http://www.lv.omxgroup.com/?id=2861</p>		
<p>7. Financial resources (if annual report is not published on the internet) (Please specify the denomination of the currency and the date of data relevance)</p> <ul style="list-style-type: none"> - Share capital - Reserves - Retained earnings - Guarantees - Insurance policies - Credit lines/letters of credit - Other, please specify 	<p>LCD has Bankers Blanket Bond Insurance and Insurance against computer crime and insurance covering professional indemnity from Lloyds London.</p>		
<p>8. Services provided by the depository Indicate with an X if service is provided. Names of other national providers should be specified below.</p>			
<p><i>Service</i></p>	<p><i>National level</i></p>	<p><i>International level</i></p>	<p><i>Other national Providers?</i></p>
<p>Securities account management</p>	<p>X</p>		<p>X</p>
<p>Cash account management and funds transfers</p>			<p>X</p>
<p>Trade matching</p>	<p>X</p>		<p>X</p>
<p>Central counterparty</p>			
<p>Netting</p>	<p>X</p>		
<p>Settlement</p>	<p>X</p>		
<p>Securities lending</p>			<p>X</p>

Collateral management			X
Custody services - Corporate actions - Withholding tax claims - Other (please specify below)	X		X
Tax assistance	X		X
Safekeeping	X		X
Information - Corporate meetings and proxy voting - Distribution of new issues - Other (please specify below)	X		X
Other services (please specify below) Other national providers: Other custody services: Other information Other services:	X Credit Institutions, Bank of Latvia, Riga Stock Exchange (hereafter- RSE) Keeping of Initial Register Operator of funded pension system		
9. Outsourcing Are any of the Depository services outsourced to third parties? If yes, list the services and the names of the third parties.	<i>Service</i> Archiving of original documents	<i>Name of third party</i> AS "UNISTOCK"	
Does the Depository assume full responsibility for losses that may arise due to the actions of the third parties providing services to the Depository? If not, how does the third party bear the responsibility?	Yes, the Depository assume full responsibility.		
10. Other entities and systems Please list other entities and systems to which the Depository might be connected to provide services to its participants, such as Stock Exchange, Clearing House, Central Bank etc.	RSE, Bank of Latvia, Estonian Central Securities Depository, Central Securities Depository of Lithuania, Euroclear.		
11. Currencies What currencies are admitted to the system for settlement and/or payment of corporate actions or funds transfers.	LVL, EUR, USD		
12. Compulsory or voluntary use Is the use of the depository compulsory? If so, for which services are the use of the depository compulsory, and is this required by law or by market practice?			
<i>Service</i>	<i>Compulsory by law</i>	<i>Compulsory by market</i>	<i>Voluntary</i>

		<i>practice</i>	
Securities account management	X*		
Cash account management and funds transfers			
Trade matching		X	
Central counterpart			
Netting		X	
Settlement	X*		
Securities lending			
Collateral management			
Custody services - Corporate actions - Withholding tax claims - Other (please specify below)	X*		
Tax assistance			X
Safekeeping	X*		
Information - Corporate meetings and proxy voting - Distribution of new issues - Other (please specify below)	X*		
Other services (please specify):	* for listed securities only		
13. Securities admitted What types of securities are admitted to the depository for deposit and settlement operations?			
	<i>Accepted for deposit</i>	<i>Accepted for settlement</i>	
Shares i.e. common/ordinary	X	X	
Preferred shares	X	X	
Convertible shares	X	X	
Unit trusts/mutual funds	X	X	
Bonds	X	X	
Convertible bonds	X	X	
Bonds with warrants attached	X*	X*	
Medium-term notes	X	X	
Money market instruments	X*	X*	
Allotment rights	X*	X*	
Subscription rights	X*	X*	
Warrants	X*	X*	
Call options	X*	X*	

Put options	X*	X*
Financial futures	X*	X*
Commodities futures	X*	X*
Others (please specify)	X*	X*
Other types of securities admitted by the depository		
Comments:	* tailor-made solution would be necessary	* tailor-made solution would be necessary
14. Exclusiveness Is the Depository an exclusive one in the market for those securities listed in question 13? If not, which entities may accept securities for deposit?	For listed securities	For listed securities
15. Types of securities accepted		
Type of security	Accepted	Not accepted
Dematerialised securities	X	
Physical securities		X
Fungible securities	X	
Non-fungible securities		X
16. Physical securities If physical securities exist - how are they handled? - Immobilised - Transferred physically - Kept as one global certificate - Kept as individual certificates - Comments:	X	
17. Treatment of securities Have registered and bearer securities equal treatment in the depository? If not - please describe the differences.	Yes.	
In particular, are all securities of a particular class or series of any issuer that are deposited in the depository treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?	Yes	No
	X	
If no – then please explain		

Are assets of foreign investors held by custodians as participants in the depository held under safekeeping conditions no less favourable than the conditions that apply to other participants? If no – then please explain	<i>Yes</i>	<i>No</i>
	X	
18. Identification of securities How are securities identified? - ISIN code - Local code - Other code (please describe) - Comments:	X CFI code	
19. Securities outside depository	<i>Yes</i>	<i>No</i>
- May securities in one company be partly held outside of the depository?	X	
- May securities certificates be held outside depository?	X	
- Do securities held outside have same ownership rights as securities held through the depository?	X	
- Can securities held outside be traded?	X	
- Can securities held outside be settled?	X	
- Can securities held outside have ownership transferred without being deposited back to the depository?	X	
- Can dematerialised securities be converted into certificated form?	X	
Where are securities held in safekeeping when outside of Depository?	In the accounts of Credit Institutions; Management Board of the company may maintain the register.	
Comments:	Re: non-listed securities	

II - LEGAL BASIS, RULES AND PROCEDURES

The purpose of this section is to assess the legal basis of the operations carried out by the Depository, and the rules and operational procedures applied.

<p>1. Legal foundation of the Depository</p> <ul style="list-style-type: none"> - Who is the regulating authority of the Depository - What type of entity is the regulating authority - Are the regulatory authorities doing periodic examinations? - Are there enforcement actions available to the regulatory authorities? - Has the Depository been subject to enforcement actions the last 3 years? 	<p>Financial and Capital Market Commission of Latvia.</p> <p>The independent/autonomous public institution.</p> <p>Continuous monitoring and periodic examinations.</p> <p>Yes.</p> <p>No.</p>
<p>2. Regulation of the Depository</p> <ul style="list-style-type: none"> - Does the Depository employ internal auditors? - Does the Depository maintain documentation of the rules and procedures? - Are these rules and procedures binding to the Depository? - Does the Depository itself make these rules and procedures? - Are they subject to regulatory approval? 	<p>No.</p> <p>Yes.</p> <p>Yes.</p> <p>Yes.</p> <p>Yes, some of these rules are subject to prior coordination (approval) by regulating authority Financial and Capital Market Commission (FCMC) before approval by LCD.</p>
<p>3. Describe the process of changing the rules and procedures.</p> <ul style="list-style-type: none"> - Who can propose changes? - What authority is needed to change rules and procedures? - How are the changes notified to the participants? 	<p>Not limited.</p> <p>Council of the LCD.</p> <p>In written form by e-mail.</p>

<ul style="list-style-type: none"> - Is there a procedure to comment on proposed changes? 	<p>Yes.</p>
<ul style="list-style-type: none"> - Can rules and procedures be waived or suspended by the Depository or by any other entity? If so, please describe in which situations this can occur. 	<p>No.</p>
<ul style="list-style-type: none"> - Are there internal written rules to define the services and the duties of each employee of the Depository? 	<p>Yes.</p>

III - CORPORATE GOVERNANCE

This section focuses on corporate governance issues including ownership, structure and supervision of the Depository.

1. Governance	
Under what regulation or statute is the depository established and governed?	LCD was established under Commercial law of Latvia and the activities of LCD are governed by Financial Instruments Market Law of Latvia and Statute of LCD.
Is the regulation or statute electronically available?	Yes, except Statute of LCD.
If regulation or statute is electronically available, please supply web address.	N/A.
2. Ownership	
1. Which entities are eligible to hold Depository's shares? a) Stock exchange b) Central bank c) Banks d) Brokers and dealers e) Investment companies f) Private investors g) Others, please specify	Not limited, except the general requirements stated by the Financial Instrument Market Law of Latvia for fit and properness of the LCD's shareholders that have significant holding (more than 10% of share capital).
2. Is ownership open also for foreign entities and if so, which type of entities?	Not limited.
3. Please provide a list of the current owners of the Depository indicating the percentage of capital held by each one.	JSC "Riga Stock Exchange" - 100%
4. In case the Depository is controlled by a Group of Companies, provide the Group's structure and ownership (percentage of capital held by each company of the Group and current owners of the Groups' companies).	OMX Ltd is the strategic owner of the LCD and Riga Stock Exchange.
3. Structure	
5. Describe and provide a diagram of the organisational structure of the Depository.	Please see Annex 1 (page 55).

4. Supervisory oversight	
6. Who regulates the activities of the Depository and with which authority?	FCMC in cooperation with Ministry of Finance draft legal acts that regulate activities at the financial instrument market, including activities of LCD. The main functions and obligations of LCD is stipulated in the Financial Instrument Market Law.
7. Who supervises the activities of the Depository and with which authority?	FCMC exercises the supervision over activities of LCD
8. Is the depository subject to periodic examination by: a) Regulatory/Supervisory Authority b) Independent Accountants c) Other (please specify) If so, what is the periodicity of the examination?	LCD is the subject to the periodic examination by FCMC and annually by Intedpendent Auditors.
9. What enforcement actions are available to the authorities in case of breach of applicable laws and regulations? a) Fines b) Restrictions on activities c) Suspension of activities d) Termination of activities e) Other, please specify	e) FCMC shall be entitled to cancel, fully or in part, the decisions taken by the managing bodies of the LCD in respect of the performance of functions set out in Financial Instrument Market Law,hereof, appointment of the members of the management board or the council where they fail to comply with laws, other regulatory provisions or the LCD articles of association or regulations, or that are likely to influence significantly the financial standing of the LCD. In the cases referred before, the FCMC shall be entitled to suspend the members of the management board or the council of the LCD from office and duly authorize the FCMC representatives to exercise the functions of the managing bodies of the LCDuntill all violations are rectified.
10. Is there a history of breach of laws or regulations in the last three years? If so, what actions were taken by the authorities?	No.
5. Financial Audit	
11. Are annual financial statements publicly disclosed?	Yes, on the LCD web page.
12. Is the depository subject to periodic financial audit? If so, who audits the accounts and with what periodicity?	Yes. The certified auditor appointed by Shareholedrs Meeting audits accounts annually.

6. Operational Audit	
13. Is the depository subject to periodic operational auditing by external entities? If so, by which entity and what is its power?	No.
14. What is the scope of the external audit and its frequency?	N/A.
15. Does the audit address the sufficiency of and compliance with internal controls?	N/A.
16. Does the audit address the Depository's compliance with its own rules and procedures?	N/A.
17. To whom are the external audit reports generated? Are these reports made publicly available? Are they made available to participants or only to the Depository?	N/A.
18. Are internal audit procedures implemented at the Depository? If so, who are responsible for the auditing?	Yes. Internal audit have been carried out by the OMX Group auditors.
19. What is the scope of the internal audit and its frequency?	The scope of the internal audit is assesment on the sufficiency of and compliance with internal controls. The assesment is performed in accordance with the relevant internal auditing methodology.
20. To whom are the internal audit reports generated? Are these reports made publicly available or only to the Depository?	Internal audit reports are generated to the Management Board of LCD. They are publicly available.
21. Have any exceptions found in the operational audit during the last three years?	No.
7. Transparency	
22. What processes are in place to assess customers' needs and their satisfaction?	Direct meetings, questionnaires, regular client newsletters distributed by electronic means.
23. Is the Board governing the Depository responsible to its participants/users?	The Board of LCD is responsible for activities.
24. Does any single organisation, or sector (e.g. brokers, custodians, Stock Exchange) have a large voting position at the board of the Depository?	Yes. Rigas Stock Excgange as the only shareholder has the majority at the Board of LCD.

25. Indicate process of remuneration changes.	The responsibility for the salary setting is delegated to the responsible manager, who develops salary proposal for her/his employees. The proposal is then reviewed and approved by the Chairman of the Management Board. The new salary shall always be justified and communicated to the employee by her/his immediate manager.
26. What is the depository's communication strategy to stockholders and to customers and how is this run?	LCD communication strategy is client (education) events, proactive communication with media, regular statistical overviews, press releases, "one to one" or small group meetings.
27. Are there areas where foreign investors are not treated in the same way as local ones?	No.
28. What are the pricing principles?	Neutral to all clients. Before the approval of amendments in pricing rules, the changes are communicated with all LCD participants to whom the changes will be applicable.
29. Public Availability: will you be making answers to this questionnaire publicly available?	Yes.

IV Risk management and Internal Control

Strategy - Depository's approach to risk management

This section is intended to capture the overall governance, framework and approach to Risk Management within your company as implemented by executive management under the supervision by the board. Questions are structured against key components of the risk management process.

<i>Risk management organisation</i>	
<p>1. Please describe the overall risk management structure within your Company including governance, specific responsibilities and reporting lines from board downwards. Please describe the Depository's approach to risk management in terms of culture, code of conduct, human resource policies to support the business objectives and risk management awareness. Please describe the differences of approaches if any in the different entities under your control.</p>	<p>Coordination of the LCD's risk management and internal control is a part of the duties of OMX, Information Services and New Markets Security function.</p> <p>Risk management and internal control within OMX is ultimately subordinated to the audit committee of the board of directors of OMX AB.</p> <p>The LCD's risk management and internal control framework has been arranged in accordance with the IOSCO framework together with another Baltic stock exchanges and Estonian CSD. An annual workshop to complete Risk Self Assessment (RSA) is carried out, with at least one bi-annual review and update. More frequent reviews or detailed reviews on any specific areas can in certain individual cases be required, subject to a separate management decision. RSA Report includes three major areas: Industry, Business and Operational Risks. Short term risks in 12month horizon and Long term risks in 3 year horizon are assessed. Each risk has its own Description, Probability in level 1-5, Impact in level 1-5, Action Type, Existing Controls and Planned Actions, Due dates and Responsibilities, also Fundamental Risk Source. RSA Report has to be approved formally by the Head of OMX Riga.</p> <p>Within OMX Group, the RSA is conducted based on a "bottom-up" approach. The LCD and the RSE consolidated annual risk self-assessment report has to be delivered at the latest on September 10th and the bi-annual update not later than April 10th, each year.</p>

<p>2. How does the board of directors (or equivalent) review key risks, set guidance related to risk management and how are overarching limits and risk tolerance being established?</p>	<p>Key risks are identified by looking for risks with high Probability and Impact. Risks with high Impact value / risk to loose more than 10% of annual turnover have to be reduced by activities under increased Management Attention and to be reviewed thoroughly during business Annual Planning process.</p> <p>All development or change projects are monitored by the Project Steering Group and reviewed regularly on Management level. In addition to monitoring operational loss events, the Management identifies and monitors indicators that provide early warning of an increased risk of future losses. Such risk indicators (key risk indicators) are forward-looking and reflect potential sources of operational risk such as rapid growth, the introduction of new products, employee turnover, interruptions in transactions and activities, system downtime, etc. Thresholds are directly linked to these indicators. The effective monitoring process helps to identify key material risks in a transparent manner and enables to act upon the (growing) risks appropriately.</p>
<p>3. How does the board of directors (or equivalent) review the effectiveness of the internal control system implemented by Senior management?</p>	<p>Effectiveness of internal control system is reviewed annually during the Risk Self Assessment Report presentation.</p>
<p>4. Does Senior management have a process to review its effectiveness periodically?</p>	<p>Yes, effectiveness is reviewed periodically according to the Management notes and Internal Audit findings.</p>
<p>5. Is there appropriate communication to the board (or board committees) on the effectiveness of the ongoing monitoring processes on risk and control matters to support a proactive management of risks? This should include reporting any significant failings or weaknesses on a timely basis.</p>	<p>Yes, the appropriate communication to the Management is in place.</p> <p>Reports about all major incidents, reasons, conclusions etc. should be reported to the Management immediately, during the same day of incident. All conclusions have the Responsible person and Due Date attached. The OMX Riga Management reviews the incident reports, their conclusions and improvement projects during regular weekly meetings.</p> <p>Major incident reports are also included in the regular monthly reports to the OMX Group Management Board.</p>

<i>Communication of objectives and delegation</i>	
6. Has senior management been clearly assigned with the responsibility for developing policies, processes and procedures for internal control in all of the Depository's material products, activities, processes and systems? Are authority, responsibility and accountability defined clearly such that decisions can be made and actions taken by the appropriate people without ambiguity?	Yes, the responsibility for developing policies, processes and procedures for internal control is clearly assigned to the Management. Authority, responsibility and accountability are defined clearly to ensure that decisions can be made and actions taken by the appropriate people without ambiguity.
7. Does the Depository communicate to its employees what is expected of them and the scope of their freedom to act? How does management ensure that all levels of staff understand their responsibilities with respect to risk management?	Yes, all the employees are subject to the yearly appraisal, target setting and personal progress planning process, followed by the bi-annual review. All employees are introduced with the Internal Control Framework when signing the contract of employment.
<i>Risk Management</i>	
A. Identification, Measurement & Assessment - Understanding Depository's Risks	
Identification of key risk areas	
8. How does the Depository identify and record key risks?	The Risk Self Assessment process is carried out in an interactive workshop format. During the workshop, key risks are identified, assessed by deciding on monetary scale for Impact and compiling Probability-Impact chart on 1-5 scale.
9. Does the Depository implement an adequate process to regularly monitor risk profiles and material exposures to losses for itself or for Participants in all activities? Do these processes enable to re-evaluate risks and adjust controls effectively in response to changes in its objectives, its business, and its external environment?	Yes, risk profiles are monitored regularly. For each risk listed, the appropriate risk management strategy (Monitor, Reduce, Reduce with increased Management Attention) is attached and a person responsible for enforcing the strategy is assigned. Persons named responsible for enforcing the decided risk management strategies take the responsibility for implementing actions of risk management for their respective risks, also for follow-up and reporting.

10. Does your assessment cover all risks facing the Depository and all its subsidiaries & entities if applicable, e.g. credit & counterparty risk, country and transfer risk, market risk, interest rate risk, liquidity risk, operational risk, large project risks, legal risk, reputational risk and business / strategic risk, etc.?	Yes, all the mentioned risks are covered.
11. What are the key risks to which the Depository is exposed?	<p>Third party risk due to dependancy on suppliers of IT services.</p> <p>IT system disturbances.</p> <p>High and costly regulation in EU level. Increased pressure for new developments but these are not returned by revenues;</p>
12. How is the Depository measuring and quantifying these risks?	All risks are included in Risk Self Assesment (RSA).
13. Does the Depository ensure that before new products, activities, processes and systems are introduced or undertaken, the risk inherent in them is subject to adequate assessment procedures and controls adequately implemented prior to the launch?	Yes.
B. Risk Response and Control Activities - Addressing Depository's risks in an appropriate way	
Risk avoidance	
14. How does the Depository identify the risks it is unwilling to take?	Development projects with identified risks that the Depository is unwilling to take are discussed in the Management, they might be covered by Insurance and/or might be subject to Service Level Agreement(s) with appropriate control.
Risk control and management	
15. Can you explain how you carry out general control activities, such as line supervision, segregation of duties, crosschecks, reconciling accounts, justifying balances, and general control activities to safeguard staff and assets?	<p>All LCD business work flow is organized in order to Senior Manager could get full supervision over all processes.</p> <p>There is strictly documented all routines and procedures in LCD.</p>
16. How does the Depository periodically review compliance with its risk limits, its risk tolerance boundaries, its control strategies?	Compliance with risk limits, risk tolerance boundaries and control strategies are reviewed during the RSA.

17. How are processes / controls adjusted to reflect new or changing risks, or operational deficiencies (back-testing, reviewing assumptions)?	Senior Manager is responsible for all adjustments needed in processes and controls when new risk or some operational deficiency arises.
18. Are there effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risk and control assessments?	Yes, the person responsible for implementing the actions has to report by due date.
<i>Specific controls</i>	

<p>19. Please describe what is monitored such as:</p> <ul style="list-style-type: none"> - Settlement control such as blocking of securities, DvP procedures, etc - Blocking of securities movement before receipt of payment - Blocking payment until securities are moved - Other forms of monitoring. Please describe 	<p>Stock exchange trades settlement</p> <p>The following controls are carried through:</p> <ol style="list-style-type: none"> 1) Checking completeness and correctness of settlement details i.e. availability of complete set of confirmed trade enrichments; 2) Pre-settlement procedure i.e. availability of necessary amount of securities to ensure the settlement. Settlement details status is changed to avoid further modification. Securities are blocked in presettlement procedure and remain blocked until receipt of cash clearing confirmation from the central bank; 3) Settlement agents confirmation to cash transfer for those stock exchange member firms that do not have cash account in the central bank; 4) Confirmation about cash leg settlement from the central bank; 5) The securities settlement will be made only after receiving the cash clearing confirmation from the central bank. <p>OTC-DVP trades settlement</p> <p>The following controls are carried through:</p> <ol style="list-style-type: none"> 1) At the moment of confirming a trade enrichment on the sellers side, the availability of necessary amount of securities is checked and the relevant securities are blocked to ensure settlement; 2) Pre-settlement procedure i.e. availability of necessary amount of securities to ensure the settlement. Settlement details status is changed to avoid further modification. Securities remain blocked until receipt of cash clearing confirmation from the central bank; 3) Settlement agents confirmation to cash transfer for those account operators that do not have cash account in the central bank; 4) Confirmation about cash leg settlement from the central bank; 5) The securities settlement will be made only after receiving the cash clearing confirmation from the central bank. 5) The securities settlement will be made only after receiving the cash clearing confirmation from the central bank.
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20. How do you reconcile the balances and the transactions with your correspondents?	There are dedicated reconciliation procedures in place e.g. daily queries to compare securities balances in the depository and in account operators' in-house systems.
<p><i>Operational risk</i> <i>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. In this context, the definition includes legal risk, and reputational and systemic risk consequential to operational failures.</i></p>	
<i>Production systems objectives</i>	
<p>21. Do you set targets and tolerance limits regarding uptime of the systems including:</p> <ul style="list-style-type: none"> - Whole system overall? - Broken down by major components? - During critical opening periods? 	All the systems managed by LCD must be in uptime by formula 5x8. If some component is down, always is in place substitute component.
<i>Information Security management</i>	
22. Have information security management processes been defined and implemented by the Depository, covering items such as security policies and procedures, security organisation, broad assets classification & control incl. vulnerability of key assets and high impact risks, personnel security, physical & environmental security, communication & operations management, logical access control, systems development & maintenance, business continuity management, monitoring & compliance of information security in the Depository?	Yes.
23. Is periodic independent assurance on the effectiveness of information security provided to senior management?	Yes, it is part of the annual external audits.
24. Describe the control and security procedures in place to ensure the confidentiality, integrity, authentication and non-repudiation of settlement instructions?	All these mentioned procedures are fully integrated in LCD automated system DENOS.
25. Are internal and operational security controls included in the internal and/or external audits of the Depository?	Yes.

26. Are internal and operational security control covered by regulatory requirements applicable to the Depository?	Yes, by FCMC.
27. Please describe physical security measures implemented to protect access to information or own or third party assets: such as access control by guards, access control by electronic keys, personal identification cards, etc.	All rooms in OMX Riga office is fully controlled by electronic alarm system, which is monitored by outsourced security company. Each move-in and move-out from/into office and dedicated rooms are automatically registered into electronic journal. All employees have electronic identification card-key. All permissions shipped in cards are supervised and managed by dedicated Office officer.
28. Describe your specific security procedures for safekeeping of physical securities, including physical security, access control, inspections, inventories control, forged & stolen securities, replacement of securities, securities in transit, etc.	N/A.
<i>Business Continuity Management</i>	
Policy, Planning and Infrastructure	
29. Please describe your Business Continuity Management policy and objectives?	OMX Riga has worked-out Disaster Recovery Plan (BCP), which is owned by the Management. All measures, which must be considered in case of disaster, are described and documented in the plan.
30. Who is responsible for the organisation, maintenance and development of your BCP? Do you have a dedicated BCM team and if so how is this composed?	The Head of IT is responsible for development and maintenance of the BCP. The BCM team includes also the Head of Office, the Head of Communication and the Management Director.

<p>31. Please briefly describe your contingency infrastructure or plans to mitigate:</p> <ul style="list-style-type: none"> a) IT unavailability (including Networks), b) Staff unavailability, c) Building unavailability. <p>In your response, please describe your business recovery objectives (i.e. priority of business processes for recovery), indicate approximate separation distances between primary and alternate facilities and whether these facilities are used exclusively by your company, if these are owned or leased and if services are provided through some form of Disaster Recovery provider</p>	<p>a) All business critical systems are located in the outsourced special server room, (distance appr. 1 km). All business critical systems have backup systems available. All connections from outside and between the Server room area and the Office are duplicated in all parts. An Alternative Network connection is available and is configured to be switched over to immediately in case when main Network is down.</p> <p>b) All employees are having backup persons available to cover their daily duties in a short-term period. All employees have written job instructions and guidelines available in the central document store and in paper format. In case of a need to travel in large groups, the travel schedules are segregated, possibly using different travel methods.</p> <p>c) In case of problems with Office building availability, key system operators are moved to Alternative Operating center which is located in separated building (distance 4 km). The space of this Center is leased. All facilities deployed in Center are owned and managed by OMX Riga.</p>
<p>32. What is your recovery time objective (RTO) for the following events:</p> <ul style="list-style-type: none"> a) IT unavailability, b) Staff unavailability, c) Building unavailability. <p>Is this RTO formalised and if so how e.g. stated in General Terms and Conditions?</p>	<p>RTO:</p> <ul style="list-style-type: none"> a) 2 hours, b) 2 months c) 1 week <p>These Recovery Time Objectives are not formalised, they are based on actual business needs, existing practices and estimated values.</p>
<p>33. Please list any major scenarios which your plans do not cater for such as regional disasters or software corruption.</p>	<p>The OMX Riga disaster recovery and business continuity plan does not cover the case when both the Office and Server rooms and the data backup offline site are unavailable at the same time and endured (in case the whole Riga city centre in the circle with the diameter of 5-10 km is crashed). It is planned to set up a backup offline site in some other OMX office (e.g. Helsinki, Stockholm, Tallinn, Vilnius).</p>

34. How do your contingency plans ensure that the status of all transactions and accounts at the time of the disruption can be identified with certainty and in a timely manner? Do the procedures provide for preservation of all data?	The stand-by server located in backup-site is synchronized on 1 minute interval.
35. How are your dependencies on external suppliers secured e.g. through SLAs, and does this include provisions to deal with disasters?	The SLA has been concluded with every external service provider. In general the external service providers have to deal with disasters in their sites. Preliminary agreements are in place with all key IT service providers to ensure quick and reliable cooperation for recovery in case of a major disaster.
Incidents and Crisis Management	
36. Please describe your incident response, communication, and crisis management plan and escalation process for your business in case of emergencies or disasters.	<p>a) In case of any business critical IT system disturbance, the Incident Management Team, consisting of Incident Manager (Head of Business unit), Operations Manager (Business senior specialist), Communication manager (Head of Communications department) and Document/IT manager, is called together. The additional supportive units are informed or asked to participate. In case any of the Incident Management Team members is out of office and cannot be backed up, a special phone conference is organized and all members are asked to join it.</p> <p>b) There are special rules in place for cases of office disasters (e.g. leaving the office or building). The Office Manager is responsible for evacuation of people.</p>
37. How many times during the last 2-years has a key process failed, where this has either been visible or invisible to external parties? What is the most common cause of failures? How long did it take to resume business processes? How much transaction data or messages, if any, were lost?	The LCD had no key processes failed during the last two years.
Training, Awareness and Testing	

<p>38. Please describe the scope and objectives of your testing activities. Do you have a formal test program?</p>	<p>All major developments are tested at least in three levels: - internal, in-house tests between the system owner, IT Development / Supplier and IT Maintenance; - external tests with selected business customers; - MWAT (Market-Wide Acceptance Test) or SWAT (System-Wide Acceptance Test) before launch in the production system.</p> <p>Additional test scenarios and partners can possibly be included depending on the actual need.</p> <p>The objectives of testing are to ensure that the new developments meet the criteria of functionality, availability, usability, security and performance, and are accepted for launch both internally and externally.</p> <p>The exact test program depends on the relevant new functionality and the exact system to be launched.</p>
<p>39. What has been the involvement of customers and suppliers in tests?</p>	<p>Both Customers and Suppliers are asked to participate in tests. The Supplier is asked to fulfill the test scenarios and give the results. The Customers are asked to fill the testing form and approve or reject the planned launch.</p>
<p>40. How frequently is your business continuity plan tested?</p>	<p>Once a year.</p>
<p>41. When was the last business continuity test performed? Please describe:</p> <p>a) Scope and objectives b) Scenario c) Results</p> <p>If results were unsuccessful, what actions were taken to prevent reoccurrence?</p>	<p>Last tests were carried out on 25th August 2006, when the main production server recovery was tested.</p> <p>The test included:</p> <ul style="list-style-type: none"> -Restoration of the previous day's database copy of all daily transactions, from the backup tape and from file; - Restoration of user rights and checking their validity after database data recovery; - Power failure simulation, UPS switched; - Database computer shutdown and restart. <p>All tests were completed successfully.</p>

<i>History of operational losses</i>	
42. Have there been major operational problems during the past two years that have delayed or failed settlements with impact on Participants? If yes, please describe the nature of such problems and provide information on number of instances. Describe your problem management processes (identification of root causes, final impact, and the action taken to prevent future occurrences, etc.).	No, there have not been any major operational problems, delayed settlements with impact on Participants during the last two years.
43. Did any of these problems translate into material losses?	See previous answer.
44. How does the Depository maintain financial reserve / cover for expected and unexpected operating losses?	The LCD maintains insurance coverage for possible risks related to its activities.
Risk transfer	
<i>Insurance</i>	
45. Does the Depository state a maximum amount of liability in its contracts or terms of conditions with Participants?	The liability of LCD is defined in its agreements with participants. The depository is liable for losses or direct damages to the participants due to the depository's errors, omissions and fraud. The depository does not assume liability for trades as the central counterparty. The depository maintains insurance coverage for possible risks related to its activities. The depository is not immune to legal actions in its own jurisdiction.
46. Does the Depository have insurance for the following risks that may raise liabilities including: a) Default b) Fidelity c) Operational errors d) Errors and omissions e) Computer fraud f) Business continuity disruption g) Securities in custody or in transit h) Asset loss i) Other. Please explain What are the amounts of these insurance coverages (maximum per year and per event)?	LCD has Bankers Blanket Bond Insurance and Insurance against computer crime and insurance covering professional indemnity from Lloyds London. Insuring clauses are employee dishonesty, forged cheques and securities.

<i>Central Counterparty</i>	
47. Has a CCP mechanism (or an indemnification arrangement) been introduced? If yes, are you providing it directly or through another entity? Please describe how it is operating, including : a) What types of securities and market Participants are covered? b) What are the netting arrangements for a CCP (by novation or otherwise) and are they enforceable in case of Participants insolvency?	No.
48. How does the CCP manage its credit risk vis-à-vis Participants? Does it require Participants to collateralise their exposures? How often collateral requirements are recomputed and collateral collected? How does the CCP manage its liquidity risk? Does the CCP have in place agreements permitting it to borrow against collateral? In assessing its credit and liquidity risk, does the CCP evaluate its ability to withstand the default of more than one of its Participants?	N/A.
49. Has a Participant ever defaulted? If so, how did the CCP handle the default? What are the financial resources of the CCP? How does the CCP assess the adequacy of the size and liquidity of its financial resources? Does it require Participants to contribute to a clearing or guarantee fund? Does the CCP have legally enforceable interests in or claims on the assets in the fund? Does the CCP have transparent and enforceable loss allocation rules?	N/A.
<i>Outsourcing</i>	
50. Have you outsourced significant operational activities (IT, operational activities, sub-custodian activities)?	Some IT operations have been partly outsourced.
51. How do you ensure that these key providers have appropriate risk management and internal control systems?	Service Level Agreements (SLA) are concluded, which include confidentiality requirements, security roles and liabilities, which are mandatory for the employees of the service provider that are involved.

52. Does the Depository impose minimum operational or performance standards on third parties? How does the Depository ensure that such standards are met and what sanctions are available if they are not met?	Mentioned standards and sanctions on failures caused by the activity or non-activity of a service provider are established as a part of SLA.
53. Do you have recourse to recover losses from partners on which you have these critical dependencies?	No.
<i>Credit risk for the CSD</i>	
54. Briefly describe the rules and procedures of the Depository with respect to credit and collateral.	LCD does not provide any such a service to its participants.
55. How do you determine credit lines? How do they review them? How do you manage exceptions?	N/A.
56. How is collateral used to limit or mitigate risk? a. Does the Depository operate its own collateral system? b. Does the Depository share a collateral system with other entities? c. What arrangements exist for rapid liquidation in the event of default? d. What types of transactions involve the use of collateral?	N/A.
<i>Default of a Participant</i>	
57. Please discuss the events or circumstances that would constitute default of a Participant under the rules and procedures of the Depository or that would lead the Depository to make use of exceptional settlement arrangements or unwinding procedures?	In case of participant's failure to settle stock exchange transaction net positions of participants may be recalculated. The defaulting participant will be excluded from the settlement and the settlement batch. The decision of recalculation of net positions are made by LCD and RSE. In case of long-term default, RSE can make decision to cancel defaulting trade.
58. Does the Depository use loss-sharing agreements? Explain in what instance would they be triggered. If a Participant defaults, how is the loss covered (Depository insurance, Depository guaranty fund, loss-sharing agreement among Participants)?	No.

59. During the past ten years, has there been a situation where a Participant defaulted which resulted in a material loss? If yes, how was the situation resolved?	No.
60. Does the Depository have a guarantee fund or are Participants protected under a market guarantee fund? If yes, what is the size of the fund, how is the size determined and how is it financed? Who is covered by the fund and in which situations is the fund used?	No. Riga Stock Exchange operates the guarantee fund.
61. Do other entities (such as a stock exchange) have default protections that extend to the Depository such as: <ul style="list-style-type: none"> - Margin requirements for stock exchange members - Guarantee fund for stock exchange members - Financial requirements for stock exchange membership - Other, please explain. 	Guarantee fund covers RSE automatched transactions.
<i>Legal Risk</i>	
62. Are the laws, regulations, rules and procedures, and contractual provisions governing securities settlement arrangements public and readily accessible to system Participants?	Yes.

<p>63. (i) Does the legal framework demonstrate a high degree of legal assurance that:</p> <p>a) transactions are enforceable?</p> <p>b) customers' assets are adequately protected particularly against the insolvency of custodians and intermediaries?</p> <p>(ii) Does the legal framework demonstrate a high degree of assurance that there is a clear and effective legal basis for:</p> <p>a) arrangements for the immobilisation or dematerialisation of securities and the transfer of securities by book entry?</p> <p>b) netting arrangements?</p> <p>c) securities lending arrangements (particularly the ability to obtain a security interest in assets)?</p> <p>d) finality of settlement?</p> <p>e) arrangements for achieving delivery versus payment?</p> <p>(iii) Has a court in the jurisdiction ever failed to uphold the legal basis of these activities/arrangements? And if so, for what reasons?</p>	<p>(i)</p> <p>a) Yes</p> <p>b) Yes</p> <p>(ii)</p> <p>a) Yes</p> <p>b) Yes</p> <p>c) There are no restrictions and specific regulations on securities lending arrangement.</p> <p>d) Yes</p> <p>e) Yes</p> <p>(iii) We do not have any court practice on these questions.</p>
<p>64. Are the rules of the system and contracts between system Participants enforceable notwithstanding the insolvency of a Participant?</p>	<p>Yes. The Settlement Finality Directive was implemented in the Law on Settlement Finality of Latvia. The Law are applicable to the operations of LCD and its participants. The latter means that all legal guarantees provided by Directive (finality of transfer order, protection of the netting and settlement, special rules covering the situation of the participants insolvency) are also applicable to the participants of LCD in the insolvency of the participant.</p>
<p>65. Is there a significant level of cross-border participation in the Depository? If so, please describe and answer Question (ii).</p> <p>(i) Are other jurisdictions relevant for determining the adequacy of the legal framework?</p> <p>(ii) How has this been determined? Has the legal framework been evaluated for the other relevant jurisdictions? Are there conflict of laws issues and, if so, have they been addressed?</p>	<p>No, there are no cross-border participation in the LCD. However the links between Estonian CSD, Lithuanian CSD and LCD (hereinafter - Baltic CSD) are actively used to clear and settle the trades entered into before mentioned states' Stock Exchanges on cross-border basis. Prior to entering into respective link agreement with other Baltic CSDs general assesment of adequacy of legal framework was conducted.</p>

<p>Reporting and Information <i>This section is about getting the right information to the right people at the right time</i></p>	
<p><i>Information</i></p>	
<p>66. What systems and processes exist to provide management and board with timely, relevant and reliable business and risk reports?</p>	<p>The procedures, forms and deadlines for regular monthly reporting are set or reviewed annually by the OMX group management. The reporting takes place on company level - for the local management, on the Baltic level for Baltic management team and on the OMX group level for the overall control and consolidation of figures and risks.</p>
<p>67. How do you ensure the integrity and reliability of your periodic financial and management reporting?</p>	<p>Financial and management reports are generated directly from the accounting system.</p>
<p><i>Communication</i></p>	
<p>68. Are there effective channels of communication to ensure that all staff fully understand and adhere to policies and procedures affecting their duties and responsibilities and that other relevant information is reaching the appropriate personnel?</p>	<p>Yes, all staff has access to procedures affecting their duties and responsibilities.</p>
<p>69. Are information needs and related information systems reassessed as objectives and related risks change or as reporting deficiencies are identified?</p>	<p>Yes.</p>
<p>70. What are the disclosures made by the Depository to allow Participants to assess its risks and its approach to internal control and risk management?</p>	<p>LCD provides information in different questionnaires (IOSCO, ECSDA, Association of Global Custodians etc.) which are either available on our website or upon request. Face-to-face meetings with Participants and their clients are held on a regular basis.</p>
<p><i>Escalating control issues</i></p>	
<p>71. Are internal control deficiencies, whether identified by business line, internal audit, or other control personnel, reported in a timely manner to the appropriate management level?</p>	<p>Yes.</p>
<p>72. Are material internal control deficiencies reported to senior management and the board of directors?</p>	<p>Yes.</p>

73. Are there established channels of communication for individuals to report suspected breaches of laws or regulations or other improprieties (whistle blowing)?	No specific channels are established.
Monitoring Processes <i>This section is about periodically assessing the effectiveness of the Depository's risk management strategies</i>	
<i>Monitoring of key risk areas</i>	
74. Is monitoring of key risks part of the activities of the Depository? Does the Depository carry out periodic evaluations of key processes in all entities? Please describe the process the Depository has implemented to regularly monitor risk profiles and material exposures to losses in all activities.	Monitoring of key risks is a part of the activities of LCD.
75. How does the Depository periodically monitor the risk management for outsourced activities (SAS70, audit, etc.)?	Compliance with risk policy is reviewed during annual Risk Self Assessment (RSA) workshops.
76. Are there effective follow-up procedures to ensure that appropriate change or action occurs in response to changes in risk and control assessments?	Yes.
<i>Internal Audit</i>	
77. Does the board of directors ensure that the Depository's internal control system is subject to effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff?	Yes.
78. Is the internal audit fully independent from the activities audited and not taking part in operational or consulting activities? Yes. Does direct responsibility for operational risk management lie outside the internal audit function?	Yes, internal audit is carried out by the OMX Group internal auditors.
79. Does the internal audit function, as part of the monitoring of the system of internal control, report directly to the board of directors or its audit committee and to senior management on the effectiveness of the internal control system?	Yes, the OMX Group internal audit reports directly to the Board.
80. Does internal audit review the risk management function?	Yes.

<i>Effectiveness assessment</i>	
81. Are there ongoing processes embedded within the Depository's overall business operations, and addressed by senior management, which monitor the effective application of the policies, processes and activities related to internal control and risk management? Such processes may include control risk self-assessment, confirmation by personnel of compliance with policies and codes of conduct, internal audit reviews or other management reviews.	Yes. Risk Self Assessment workshop is carried out on annual basis.

V - PARTICIPANTS

This section analyses the relationship between the participants and the Depository.

1. Participation Basics	
<p>1. Please describe the different types of participation.</p>	<p>Participants that open accounts with LCD for security holdings and perform security settlement and related cash settlement.</p> <p>Participants that open accounts with LCD for security holdings and perform just security settlement. In this case, related cash settlement of security transaction should be executed by another participant with whom the participant is entered into cash clearing agreement.</p> <p>Participants that perform cash settlement for security transactions and corporate events (like dividend, interest, redemption, etc. payments).</p> <p>Participants with special status - Bank of Latvia, Riga Stock Exchange, State Treasury, other CSDs.</p>
<p>2. Who can become participant of the depository?</p> <p>a) Stock Exchange b) Central Bank c) Depositories (CSDs, ICSDs) d) Banks e) Brokers and Dealers f) Investment companies g) Individual investors h) Other, please specify</p>	<p>Credit institutions, investment brokerage companies, other CSDs.</p>
<p>3. Please provide a list of the types of present participants indicating the number of entities in each type.</p>	<p>Credit institutions - 14 Investment brokerage companies - 2 Foreign CSDs - 3</p>
<p>4. Can foreign entities become participants? Which type of entities?</p>	<p>Yes. Credit institutions, investment firms, other CSDs.</p>
<p>5. What governs the membership and the rights and obligations of the participants and of the Depository?</p>	<p>Participation agreement, LCD rules and procedures.</p>
<p>6. Is there a contract or other legal agreement established for the membership between participant and the Depository that clearly</p>	<p>Yes.</p>

defines the rights and obligations of each party?	
7. What are the liabilities of the Depository to the participants? Are there any limitations to the liabilities? Where are the liabilities and limitations defined?	The liabilities of LCD is defined in its agreements with participants. The depository is liable for losses or direct damages to the participants due to depository's errors, omissions and fraud. LCD maintains insurance coverage for possible risks related to its activities. See Risk Management and Internal Control, question 60.
8. Are all participants subject to the same rules and procedures?	Yes.
9. How are the participants notified of material changes to the conditions of participation? (e-mail, fax, phone, public announcement, etc)	LCD notifies the participants by e-mail or letter of any amendments to LCD rules and procedures as well as public announcement in the newspaper "Latvijas Vestnesis" should be made before the amendments come in force.
2. Membership Criteria	
10. What are the requirements for becoming a participant? What are the requirements for maintaining that status of participant?	All entities must enter into agreement on participation in LCD. The entity should comply with the following requirements: 1. Entity should hold licence issued by FCMC to provide investment services; 2. Trilateral cooperation agreement between Bank of Latvia, LCD and financial intermediary on provisions of gross and net cash settlements for security transactions (DVP) or cooperation agreement with LCD participant that is entitled to perform cash settlements; 3. Organizational and technical conditions require description of securities accounting and settlement system, data protection and internal control, identify employees responsible for accounting and settlement, appropriate technical and technological equipment necessary for the correct accounting and settlement; 4. Entity obliged to employ two persons who have obtained LCD professional certificates.
11. Are participants required to be subject to a depository supervisory regime? If so, please describe.	LCD has a right to inspect the accuracy of security accounting and settlement system and if these activities are performed in

	compliance with LCD rules. Depository shall immediately inform LCD participants and FCMC about the detected breaches, the terms of elimination of breaches and sanctions.
12. Describe the process for becoming a new participant of the Depository? Who authorizes new participants?	In order to apply for the status for LCD participant, an application containing necessary documents (that are indicated in LCD rules On LCD Participants) should be submitted. LCD Management Board shall make decision to grant or refuse to grant the status of the participant within ten working days after the receipt of the application and documents. Depository can refuse the enrolment if the information submitted is incomplete or inadequate. The Board may decide repeatedly about the enrolment. In case of enrolment, the Management Board indicates when the applicant becomes a LCD participant and what activities it is allowed to perform. The notification of a new participant will be sent to all present LCD participants.
13. Are the participation requirements equal for all kind of participants? If not, please explain.	Yes.
14. Are participants obliged to hold any stake in the Depository?	No.
3. Being a Member	
15. Who supervises the activities carried out by the participants and verifies they act according the rules and procedures?	LCD and FCMC.
16. Are the participants supervised to check their participation criteria are maintained? If yes, who is responsible for the supervising?	Yes. LCD has a right to inspect the accuracy of security accounting and settlement system of the participants and check whether accounting and settlement are performed in compliance with the LCD rules and the conditions of participation agreement are not violated.
17. What remedies are available to the supervisory authorities to enforce the maintenance of participation criteria? a. Fines b. Restriction of participation c. Suspension of participation d. Termination of membership	a, c, d.

<p>18. Can penalties or other actions be applied to participants that do not act according to the rules and procedures?</p> <p>a. Fines b. Restriction of participation c. Suspension of participation d. Termination of membership e. Other, please specify</p>	<p>a, c, d.</p>
<p>19. Have there been any actions listed in question V 17 in the last three years? If yes, please explain.</p>	<p>No.</p>
<p>20. Have there been any such actions listed in question V 18 in the last three years? If yes, please explain.</p>	<p>No.</p>
<p>4. Termination of membership</p>	
<p>21. How and under which conditions can participants terminate their membership to the Depository?</p>	<p>A participant can terminate its membership to the LCD if:</p> <ol style="list-style-type: none"> 1. it informs LCD about this decision at least 6 month before planned terminataion date, 2. it does not agree with the proposed changes of LCD Regulations.
<p>22. How and under which conditions can the Depository terminate a participant membership in the Depository?</p>	<p>LCD can terminate a participant's membership if:</p> <ol style="list-style-type: none"> 1. participant does not act in compliance with the LCD Regulations 2. participant violates conditions of the participation agreement. 3. FCMC takes a decision to revoke or suspend the participant's licence.
<p>23. Does the termination of membership end all the liabilities of the participant to the Depository? If not, please describe which liabilities could remain.</p>	<p>Yes.</p>

VI - FUNCTIONALITIES AND SERVICES

The services provided by the Central Securities Depository are analysed.

1. Account management	
1. Are participants permitted to maintain more than one securities account at the Depository?	Yes.
2. Please detail the account structure used at the depository for each type of participants (single/multiple accounts, omnibus/individual accounts, resident/non-resident accounts).	Participant's customer securities are held in omnibus accounts, whereas individual accounts are opened for participant's own assets.
3. Does the system allow segregation of securities held at the depository to different accounts? Is the segregation compulsory or optional? a. Own assets and client assets? b. Based on clients residence (foreign/domestic)? c. Based on different tax situations? d. Other. Please explain	The segregation of securities is compulsory for securities held by account operator and its customers. Latvian law requires financial institutions to segregate their own assets from their clients' assets.
4. How is the segregation performed: a. Separate participant accounts? b. Sub-accounts? c. Individual accounts? d. Other. Please explain	The segregation is performed through separate participant accounts and omnibus clients accounts, where the securities owned by participant's customers are accounted.
5. If a participant opens an account at the Depository in the name of a third party, does this give any rights to that customer under the rules and procedures?	No. Participants can open only omnibus accounts for their clients' holdings and the owners of these securities are deemed to be the securities of the clients and do not form the property or assets of the participants.

<p>6. Can securities or accounts be blocked for any reason (insolvency, penalty, pledge...)? Who can block the accounts and how it is made? How are the accounts unblocked and who has the authority to do it?</p>	<p>Yes. Securities can be blocked at the participant's request to pledge their own securities. There is a special type of blocked account, where the securities are accounted if they are to be pledged.</p> <p>LCD will freeze the securities or security account of participants on the following grounds:</p> <ol style="list-style-type: none"> 1. a court judgement; 2. an order of a bailiff; 3. LCD Management Board decision to suspend the participation status of a participant; 4. other grounds prescribed by legislation. <p>Securities or security account remain frozen until an order of cancelation is received or a new order is issued, or until another time prescribed by legislation.</p>
<p>7. How do the clients have access to their holdings when a participant has been declared insolvent and his accounts are blocked?</p>	<p>Clients will have access to their holdings irrespective of insolvency of their account operator (participant), as its client accounts will be transferred to another account operator by the decision of FCMC. The clients' securities do not make up the property of participant nor form participant's assets.</p>
<p>8. How do the participants have access to the information about their accounts, balances, notices of transfers, etc? Are there specific periodic reports and/or on-line access?</p>	<p>Participants receive account reports electronically after each settlement day . On regular basis, participants are provided with weekly account statements and monthly account portfolio report in the printed paper form. Every participant has access electronically request and receive account statements and account portfolio reports for any specified date.</p>
<p>9. In what form and method is the information of the assets of each participant or their customers held at the depository? What are the contingency measures when this information is lost or inaccessible?</p>	<p>The information is held in electronic form. On-line data replication to the backup location prevents loss of this information.</p>
<p>10. What is the document retention period in years?</p>	<p>10 years.</p>

11. Can the Depository have securities in its own name? Are they eligible for deposit and transfer in the system? Are the Depository's own assets segregated from the participants' assets?	Yes, LCD can hold securities on its own name in the account opened with the account operator. The securities are eligible for deposit and transfer in the system. They are segregated from the participants' assets.
2. Registration	
12. Is nominee concept/convention recognised? Please explain.	Yes. Participants in their accounting system can open nominee accounts for licenced investment companies and credit institutions to hold the securities on behalf of their clients.
13. Is there a centralised registration of securities ownership? Who is the registration authority?	There is no registrar in Latvia. The proof of title of ownership is an entry in the securities account that the owner has opened with a custodian.
14. Is the registration of securities at the registrar done in the name of the depository or depositing participant or their nominee or in the name of the beneficial owner or any other entity?	N/A.
15. Describe the procedures of registration of beneficial ownership a. Who initiates and how is the registration initiated? b. How long does the registration process take? c. How are participants notified that the registration process is complete?	N/A.
16. Can securities be transferred before the registration in the buyers name is complete?	No. Securities and ownership transfer is integrated process, that could not be separated. Transfer entry means that the ownership is passed to the buyer.
3. Safekeeping of physical securities	
17. Where and how are physical certificates safekept?	LCD does not provide safekeeping of physical securities.
18. What control procedures are in place for receiving certificates when deposited at the Depository?	N/A.
19. Please describe the process how securities are entered into deposit.	N/A.

20. When are the deposited securities reflected in participant's account? How long will it take for them to become available for a. trading b. settling c. transfer of ownership	N/A.
21. How long does it take to lodge new issues of securities etc. with the depository?	N/A.
22. Can deposited securities be withdrawn from the depository?	N/A.
23. Please describe the process of withdrawal of eligible securities from the depository including any procedures of re-registration and re-certification.	N/A.
24. How long does it take to withdraw securities from the depository?	N/A.
25. While the securities are being removed from the depository can they be a. traded b. settled c. ownership transferred	N/A.
If securities are certificated: 26. Under what conditions are securities eligible to be dematerialised? 27. Under what conditions are dematerialised securities eligible to be centralised? 28. Are dematerialised securities held through book-entry at the depository only? 29. Please describe control procedures to admit dematerialised securities into the centralised system. 30. May dematerialised securities be re-certificated? If so, please describe that procedure. 31. May dematerialised securities be withdrawn from the depository? If so, please describe that procedure.	N/A.
4. Securities transfer and settlement	
32. Are all settlement instructions matched before settlement can take place?	LCD provides a trade matching service for trades concluded on OTC market and free of payment instructions where the receiver confirms the deliverer's instruction or vice versa. Matching of regulated market trades is performed by the stock exchange.

33. What procedures are in place for handling unmatched instructions?	Unmatched instructions wait in the system until the moment when the correct instructions of the counterpart is received. The unmatched instruction can be cancelled or refused by the corresponding counterpart. If the counterpart's instruction is not received by the end of the settlement day, the instruction expires and its usage is not possible in the next day settlement cycle.
34. Are matched settlement instructions binding on participants? If yes, what procedures are used to enforce the settlement in case of failure by participants to meet their obligations?	<p>Matched instructions for trades concluded on the stock exchange are binding for participants. In case of the default settlement (due to shortage of cash or securities) fines are applied to defaulted stock exchange member. The sanctions are prescribed in Riga Stock Exchange Rules on Cash Clearing and Financial Instrument Settlement. RSE runs Guarantee Fund owned by trading members that will be enacted in case of cash default. If participant fails to meet its obligations due to default of securities, the transaction in question will be postponed for later settlement when the sufficient amount of securities is provided in the corresponding account.</p> <p>As to the OTC transactions matched instructions become binding only if both counterparts have sufficient securities and cash balance for the settlement. There are no penalties in case of default of OTC trade settlement.</p>
35. Describe the pre-matching and matching procedures, indicating timelines when instructions become matched.	LCD does not use pre-matching processes. Matching can take place throughout working hours of LCD. Instructions are matched as soon as both counterparts have inserted their instructions of the trade.
36. When do matched instructions become binding?	Matched instructions become binding when both counterparts have sufficient securities/cash balances for the settlement.
37. Where is the matching procedure regulated (Rules and procedures or in the law and regulations)?	In Latvian Central Depository Rules and Procedures.

<p>38. When does the ownership of securities pass from the seller to the buyer?</p> <p>a. When the book-entry is made on the depository books at the end of the business day on which transfer occurs</p> <p>b. When the book-entry is made on the depository books on an intra-day basis</p> <p>c. Other, Please describe.</p>	<p>b. When the book-entry is made on the depository books in the buying/ selling participants' corresponding depository accounts. On the basis of settlement confirmations received from LCD, respective entries shall be made in securities accounts kept by participants for their clients.</p>
<p>39. Describe how securities are transferred within the system (by debiting and crediting participants' accounts or by some other method)</p>	<p>All securities are transferred by debiting and crediting the participants' accounts. Transfers may either be FOP or DVP.</p>

<p>40. Please detail for each settlement system you operate:</p> <ol style="list-style-type: none"> General characteristics: Identification or name of the system Securities admitted for the settlement Settlement model (FoP, DvP, BIS DvP models 1,2 or 3) Please describe the type of your settlement. Are transfers processed on a continuous basis or through a batch process? Is the settlement process rolling or does it only occur on specific days of the week or month? Please provide a diagram with timings and operating hours for the settlement Other. Please explain 	<p>a. LCD operates the depository system DENOS. The main functions of the system are</p> <ul style="list-style-type: none"> - register securities issue - provide safe-custody of securities, - store all securities accounts (issue accounts, LCD participants' corresponding accounts) and transactions on these accounts (in book-entry form), - manage balances, - handle clearing and settlement for the stock exchange trades, OTC DVP trades and FOP transactions, - maintain shareholder's register (Initial Register) of privatised enterprises to ensure the registration of title to securities until the securities owner opens and transfers the securities to the account with LCD participant, - etc. <p>b. DENOS</p> <p>c. All securities that are registered in DENOS system.</p> <p>d. FOP, DVP BIS model 1 is used to settle OTC trades and stock exchange transactions with the settlement period T+0, DVP BIS model 3 used only for stock exchange transactions.</p> <p>e. All transfers except net DVP settlement of stock exchange trades are processed on a real time basis.</p> <p>FOPs are processed from 9:00 till 18:00. DVP BIS model 1 settlement is performed from 9:00 till 17:00.</p> <p>DVP BIS model 3 settlement is performed in one batch from 12:00 till 13:00. The second cycle of settlement (from 13:30 till 14:30) is used only in the case of cash insufficiency in the first settlement cycle.</p> <p>Settlements occur daily (on business days) for all securities.</p>
<p>41. Does the system allow partial settlements? Please explain.</p>	<p>No.</p>
<p>42. After what event(s) and at what time does the transfer of securities become final?</p>	<p>Transfers become final and irrevocable once debit and credit entries are made in the participants' securities accounts with LCD.</p>

43. In DvP, does the technical, legal and contractual framework ensure that delivery of securities takes place if, and only if, payment is received? If so, how?	Yes. For DVP settlement, the securities are transferred only after the confirmations of cash settlement is received from Central Bank of Latvia.
44. Does the depository permit final settlement of DvP transfers on a continuous basis throughout the day or at certain designated times during the day?	OTC DVP transfers take place on a continuous basis throughout the business day. Stock exchange trades are processed in one batch at designated time (12:00-13:00) except the trades with settlement period T+0 that are settled on real-time basis when all the necessary instructions for the settlement are received.
45. When securities are credited to a participant account, is there any provision that foresees the possibility for reversal?	No.
46. Please describe all conditions under which provisional transfers of securities or funds could be unwound. a. How and on what authority would a decision to unwind securities or funds transfers be made by the Depository? b. When and how would participants be notified of a decision to unwind provisional securities or funds transfers? c. How long would participants have to cover any debit positions in their own securities or funds accounts resulting from an unwind? d. In the event of an unwind, would all transfers be unwound or would only a subset of transfers be unwound? e. If only subset of transfers, what procedure would be followed to determine which transfers and in what order?	N/A. LCD system does not provide provisional transfers.
47. Does the depository prohibit the unilateral revocation of unsettled transfer instructions?	Yes. No unilateral cancellation is allowed when the settlement process has started.
48. Does the depository receive or submit provisional transfers of securities from/to any other depositories or participants? If so, is retransfer of these securities prohibited until they become final? If not, what would be the consequences of an unwind of such provisional transfers for the depositories' participants?	LCD does not receive or submit provisional transfers of securities.

49. Can bankruptcy or insolvency be declared retrospectively in the jurisdiction of the Depository that could cause provisional securities or funds transfers to be unwound?	Bankruptcy or insolvency can be declared only by the Court. Financial and Capital Market Commission has a right to suspend the activity of the participants before the final decision of the court. This will not cause unwinding of provisional transfers since they are not available in LCD.
50. Please describe any circumstances in which transfers of securities or funds that were defined as final would ever be unwound.	Transfers of securities or funds that are defined as final, will under no circumstances be unwound.
51. Can the securities be re-used on the same day? Please explain.	Yes. The securities are available from the moment they are entered onto the account.
52. If securities are transferred before funds are delivered can the participant use the securities before the funds transfer becomes final? What actions will be taken if funds are not delivered?	Settlement is executed on a DVP basis. The final security transfer does not precede the final transfer of funds. Consequently, participants can not dispose such securities prior to the fund settlement.
53. Does the timing of transfer depend on the type of security transferred?	No.
54. Can securities be delivered forward before or after the receiving transfer is final?	Securities can be delivered forward after receiving transfer is final.
55. Are these procedures defined in the rules and procedures of the depository?	Yes.
56. How are participants informed of the status of the transactions during the settlement and when finality is achieved?	LCD informs participants involved in the settlement about the status of the settlement on regular basis and by sending a corresponding notifications. LCD will notify immediately about the settlement finality to all participants involved in the settlement process.
5. Funds transfer	
57. Does the depository maintain cash accounts for the participants?	No. Participants open cash accounts with the Bank of Latvia.
58. Is cash settlement done in central bank money or in commercial bank money? If central bank money – is it an interfaced or integrated model?	Cash settlement (in LVL currency) is done in central bank - Bank of Latvia. An interfaced model is used. LCD participants authorise LCD to debit/ credit their cash accounts with Bank of Latvia in conjunction with securities settlement and corporate actions. To ensure trade settlement in foreign currencies, LCD has opened EUR and USD accounts with Deutsche Bank AG. LCD uses SWIFT as a communication mean for cash settlements.

59. How the funds transfer is linked to the securities transfers?	Securities transfer is executed only after the confirmation of cash settlement has been received from the cash settlement bank.
60. Does the Depository provide credit extensions or advances of funds to its participants? Does the Depository assume credit risk? How long do the credit extensions last typically and how long can they last?	LCD does not provide any credit extensions or advances of funds to its participants and thus does not expose itself to any credit risk. In respect of settlement of stock exchange transactions, Riga Stock Exchange has a right to use Guarantee Fund in order to ensure timely settlement.
61. Are the funds and securities moved simultaneously? If not, what is the time gap between the movements?	Yes. Security and related fund settlement is done simultaneously.
62. When and at what time does the transfer of funds become final? After what event or events?	Funds transfers become final and irrevocable when debit/ credit entries are recorded at the corresponding cash accounts of LCD participants with Bank of Latvia.
63. Can the funds be re-used on the same day?	Yes.
64. If funds are transferred before securities are delivered, can the participant use the funds before the securities transfer becomes final? What actions will be taken if securities are not delivered?	As LCD executes settlement on a DVP basis, the final delivery of funds always precedes the final transfer of securities.
65. Does the timing of transfer depend on the currency used for payment?	No.
66. Does the Depository guarantee the transfer of securities or funds? If yes, how are the transfers guaranteed?	No.
67. Is the guarantee a feature of the rules and procedures or law or regulations?	Riga Stock Exchange Rules and Regulations.

6. Custody services	
<p>68. Is the Depository involved in processing the following corporate actions? Please describe.</p> <p>a) Compulsory cash distributions, i.e.:</p> <ul style="list-style-type: none"> A.1. Cash dividends A.2. Interest payments A.3. Compulsory redemptions A.4. Compulsory partial redemptions <p>b) Compulsory stock distributions, i.e.:</p> <ul style="list-style-type: none"> B.1. Bonus issues (capitalisations) B.2. Compulsory conversions B.3. Consolidations/reverse split B.4. Enfranchisements B.5. Pari passu B.6. Rights issues B.7. Sub-divisions/splits B.8. Subscriptions <p>c) Optional stock distributions, i.e.:</p> <ul style="list-style-type: none"> C.1. Optional conversions C.2. Optional redemptions <p>d) Other types of corporate action:</p> <ul style="list-style-type: none"> D.1. Compulsory call D.2. Enhanced scrip dividends D.3. Optional call payments D.4. Mergers D.5. Schemes of arrangement D.6. Scrip dividends D.7. Takeovers D.8. Demergers/division/ fission/spin-off D.9. Resale (with subscription) D.10. Other payments D.11. Early redemptions D.12. Share capital reduction D.13. Closed offers D.14. Acquisition of issuers "own" shares D.15. Other – please describe 	<p>LCD provide stock-related and cash-related corporate actions for all the security issues registered in LCD.</p> <p>A.1., A.2., A.3., A.4.</p> <p>B.1., B.2., B.3., B.5., B.6., B.8.</p> <p>C.1., C.2.</p> <p>D.1., D.3., D.4., D.7., D.8., D.11., D.12. , D.15. On the occasion of shareholders' meeting, LCD compiles a list of shareholders who are entitled to participate in the meeting.</p>
<p>69. How are income and dividend collections processed?</p>	<p>Issuer transfers the entire amount of cash payable as dividend/ income to LCD account by 11:00 on the payment date. Within one business day LCD distributes the cash to LCD participants according to their clients' and their own holdings on the record date.</p>

<p>70. For each corporate action please describe:</p> <ul style="list-style-type: none"> a. The gap existing between ex date and record date, b. The gap existing between record date and payable date and c. The gap existing between payable date and payment date d. When are corporate action entitlements credited e. When are the funds credited to the beneficial owners. 	<p>a. Ex date is always 2 banking days prior to record date due to T+3 settlement cycle.</p> <p>b. For dividends and other cash proceeds payment date is set not earlier than 5th business day and not later than 10th business day from a record date.</p> <p>For interest and redemption payments - the record date and payment date are the same day.</p> <p>c. No gap exists. Payable date and payment date are the same day.</p> <p>d. Normally record date + 1 business day.</p> <p>e. On the payment date, but not later than within one business after the payment date.</p>
<p>71. Relating to corporate actions listed under letter A) in question V-67, is the payment made in central bank money, on accounts held by the Depository or through paying agents?</p>	<p>Payment is made in Central Bank of Latvia on account held LCD. Payments in EUR and USD currencies are made through LCD account opened with Deutsche Bank AG.</p>
<p>72. Does the depository take any financial risk in processing the above-mentioned corporate actions?</p>	<p>No.</p>
<p>7. Facilities aimed at reducing the settlement fail rate</p>	
<p>73. Does the depository provide facilities to ease settlement? Please describe.</p> <ul style="list-style-type: none"> a) Securities overdraft b) Securities lending and borrowing c) Cash credit d) Netting e) Back-to-back operations management facilities f) Large transactions split into several smaller ones g) Others (like incentives or penalties), please describe 	<p>d) Netting of securities and cash positions for stock exchange transactions.</p>
<p>74. For each of the facilities in use please describe:</p> <ul style="list-style-type: none"> a) How does it work b) Is the facility automated c) How long may it last d) Is use of the facility compulsory e) Who provides the facility f) Who is bearing the risks involved g) Does it include collateralisation h) How is the process of returning the assets to the provider/owner 	<p>Netting:</p> <ul style="list-style-type: none"> a) BIS model 3 is used only for stock exchange trades - Cash and securities positions are netted. b) Yes. c) N/A d) Yes. e) LCD f) N/A g) No. h) N/A

<p>75. What procedures are applied when debit positions cannot be rectified?</p> <p>a) Application of loss-sharing provisions</p> <p>b) Absorption of the loss by the depository</p> <p>c) Other. Please specify</p>	<p>c) In case of participant's failure to settle stock exchange transaction net positions of participants may be recalculated. The defaulting participant will be excluded from the settlement and the settlement batch. The decision of recalculation of net positions are made by LCD and RSE. Debit positions (overdrafts) in securities accounts are not allowed.</p>
<p>76. Are these situations covered explicitly by the rules and procedures of the depository?</p>	<p>Yes.</p>
<p>77. Which securities at the depository are eligible for lending? Can participants make securities available for lending or is it mandatory?</p>	<p>LCD does not offer lending facilities. There are no restrictions on securities to be used for lending between market participants.</p>
<p>78. Are the lent securities identified with specific participants as lenders or with a common pool of securities? Does the depository or the participant whose securities are lent become a principal to the transaction?</p>	<p>N/A.</p>
<p>8. Default procedures</p>	
<p>79. Please describe the circumstances that give rise to the application of default procedures (e.g. failure of a participant to meet a test of its solvency under the applicable laws of its jurisdiction, failure to make payments or deliveries of securities within the time specified etc.)</p>	<p>Failure to make payments or deliver sufficient amount of securities to ensure settlement within the specified time. In case of insolvency of a participant Financial and Capital Market Commission would decide what activities of participant must be monitored and suspended. Pursuant to the Law on Financial Instrument Market clients' securities will not be affected by fact of failure of LCD participant.</p>

80. Please describe the default procedures in place?	<p>In the case of default, LCD acts pursuant to LCD Rules and the legal acts regulating settlement of transactions.</p> <p>In case of stock exchange transactions securities default occurs at the settlement time if insufficient amount of securities are supplied in the corresponding account of LCD participant for settlement. Riga Stock Exchange (RSE) is immediately informed about the defaulting party. RSE has a right to impose sanction on its member to guarantee the execution of trade. The trade is usually excluded from net settlement and postponed till the necessary amount of securities are supplied for the settlement.</p> <p>In case of cash default Bank of Latvia informs LCD about the defaulting party and the information is forwarded to RSE. Stock Exchange decides about the use of Guarantee Fund to secure cash settlement. Participants may be given a time to deliver security/ cash necessary for settlement of stock exchange transactions.</p> <p>For OTC trades - insufficiency of securities/ cash will cause failure of settlement.</p> <p>LCD Rules and RSE Rules and Regulations describe the procedures to be taken in case of default.</p>
81. How and at what point participants are notified that a default has occurred?	<p>For stock exchange trades - on S date LCD checks whether there is sufficient securities/ funds amount in the accounts of its participants. If it is not sufficient, LCD immediately informs the participant about the default event via telephone or e-mail announcement and gives them a time limit to deliver necessary amount to its account.</p> <p>For OTC trades - LCD will not execute the settlement of the transaction until the sufficient securities/ cash balances are not ensured in the accounts of participants.</p>
82. Which actions are taken?	See response to question 80.

<p>83. Would the Depository be expected to keep on meeting all its obligations to participants in case of default event has occurred. What resources are in place to ensure this would occur.</p> <p>a) Collateral b) Guaranty funds c) Insurance d) Loss-sharing agreement e) Other, please specify</p>	<p>LCD does not guarantee funds or securities transfers of the market participants, as LCD does not operate any collateral, loss-sharing or guarantee funds.</p> <p>Transfers for stock exchange trades are guaranteed by Guarantee Fund of Riga Stock Exchange in the case of funds default at the moment of settlement.</p>
<p>84. If a guaranty fund is in place, how is it financed and who is covered by it?</p>	<p>For stock exchange transactions, Riga Stock Exchange on behalf of trading members manages Guarantee Fund. The assets are contributed by members and it is their property.</p>
<p>85. Please describe the order in which these resources would be used as well as the notifications to participants.</p>	<p>The resources will be used in accordance with Riga Stock Exchange Rules.</p>
<p>86. Has a participant of the depository ever been declared in default or become insolvent and if loss-sharing procedures have been invoked?</p>	<p>There have been no incidents of participant's insolvency so far.</p>
<p>87. Describe whether any of these defaults or insolvencies resulted in losses to the Depository or its participants and how they were absorbed.</p>	<p>During the operational activity of LCD no loss has occurred either to LCD or its participants due to default or insolvency procedures.</p>

VII - LINKS WITH OTHER CSDS AND ENTITIES

This section analyses links with other securities depositories and settlement systems

1. Links	
<p>1. Does the Depository maintain relationships with other depositories? If yes, please indicate for each Depository:</p> <p>a) Name and location of the linked entity</p> <p>b) What kind of relationship exists between the depositories and what services are provided?</p>	<p>Yes.</p> <ul style="list-style-type: none"> - Estonian Central Securities Depository (ECDS), located in Estonia; - Central Securities Depository of Lithuania (CSDL), located in Lithuania; - Euroclear, located in Belgium <p>There is a link agreement between LCD and above mentioned depositories. The following services are available:</p> <ul style="list-style-type: none"> - cross-border FOP (OTC transactions) - cross-border DVP for both Stock Exchange, and OTC transactions (only for ECDS and CSDL) - processing of corporate actions
<p>2. In case of operational links with other depositories, please indicate for each link:</p> <p>a) Type of the link (bi-directional, unidirectional)</p> <p>b) Type of securities eligible for the link</p> <p>c) kind of operations that are allowed through the link (free of payment, against payment, custody services, other). Please describe how the operations are performed, their timing and working hours.</p> <p>d) What communication protocols are used in the link</p>	<p>a) ECDS and CSDL - bi-directional</p> <p>Euroclear - unidirectional</p> <p>b) Equities and debt instruments</p> <p>c) see the answer to question 1 above</p> <p>d) ISO standard</p>
<p>3. Are there strategic plans to set up new links in the future? If yes, then for planned link provide the information listed in question 2.</p>	<p>Yes, LCD is interested in developing links with Nordic CSDs and changing of link type with Euroclear from unidirectional to bi-directional.</p>
<p>4. Describe the procedures and standards used to implement links with other entities such as due diligences, contracts, supervision, and risk management procedures including any financial or operational requirements.</p>	<p>ECSDA standards.</p>
<p>5. Do all participants have equal access</p>	<p>Yes.</p>

to the links?	
6. Describe the existing measures for protection against failure of the linked entity or any other involved party.	The terms of co-operation are developed according to the specific details of relationship with effort to minimise risks and maximise efficiency.
7. Who bears the custody risk in the link?	ECDS provides custody service for Estonia-registered securities to LCD; similarly, CSDL provides the service for Lithuania-registered securities.
8. Does the Depository advance funds or securities to or on behalf of intermediaries such as issuing or paying agents? Identify the circumstances in which such exposure could arise.	No.

